



PHD

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Motives for consumption and
needs satisfiers in Peru**

Guillen-Royo, Monica

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Consumption and wellbeing: Motives for consumption and needs satisfiers in Peru

Mònica Guillén Royo
A thesis submitted for the degree of Doctor of Philosophy
University of Bath
Department of Social and Policy Sciences
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Abstract

This thesis explores how consumption impacts on people's wellbeing in seven Peruvian communities. It draws on social science literature on consumption and incorporates the key factors highlighted by the research on wellbeing determinants. Generally, it is accepted that consumption increases wellbeing by lifting people out of poverty and that it has a negative impact if it fails to place them at a higher social position. Other aspects defining consumption such as the symbolic meaning of goods, its pleasurable dimension, the role of goods and services as basic needs satisfiers, etc. have not been systematically approached from the perspective of their effect on wellbeing. The thesis takes on this challenge by incorporating the most salient features of consumption studied by social scientists through the concepts of *motives* and *satisfiers*. It draws on psychologists' claim that motives are important in understanding the linkages between wellbeing and people's behaviour. It also integrates the work of human needs theorists stressing the importance of analysing the effectiveness of goods and services as basic needs satisfiers.

The research follows a multi-methods approach that takes into account the local specificities of consumption, whilst aiming for a global understanding of the key factors mediating its relationship with human wellbeing; accounting for its objective and subjective dimensions. It uses regression analysis to study how consumption affects happiness through total expenditure and motives, and qualitative methods to explore the efficiency of satisfiers in meeting basic needs. The research finds, as expected, that in the Peruvian communities consumption enhances happiness when it improves basic needs levels and places people at a higher social position. People consuming because of hedonic reasons are also happier, but those consuming for social acceptance and higher status are not. Moreover, being motivated by basic needs is negatively associated with happiness. One of the reasons might be the type of satisfiers used. The exploratory study of needs satisfiers in a Peruvian slum points at their potential inefficiency, which might be contributing to people's frustration through consumption.

1 Introduction

‘Today’s consumption is undermining the environmental resource base. It is exacerbating inequalities. And the dynamics of the consumption-poverty-inequality-environment nexus are accelerating. If the trends continue without change – not redistributing from high-income to low-income consumers, not shifting from polluting to cleaner goods and production technologies, not promoting goods that empower poor producers, not shifting priority from consumption for conspicuous display to meeting basic needs – today’s problems of consumption and human development will worsen.’ (UNDP 1998: 46)

1.1 Consumption and wellbeing

The 1998 Human Development Report sent a warning to the world about the environmental, economic and social risks of current patterns of consumption. These applied not only to rich societies but also to poor and developing economies. The report claimed that current consumption patterns are putting the world’s ecosystems under unrecoverable strain, increasing inequalities through production systems that exploit the world’s poor and impelling people to exchange basic needs satisfaction for luxury consumption.

The figures are staggering: During the 20th century the world’s real consumption has expanded from \$1.5 trillion in 1900 to \$24 trillion in 1998. Yet its distribution remains unequal since ‘20% of the world’s people in the highest-income countries account for 86% of total private consumption expenditure and the poorest 20% a minuscule 1.3%’ (UNDP 1998: 2). Moreover, what is being consumed is also in constant evolution. Whilst growth in televisions per 1,000 people spread to all continents from 1970 to 1995, consumption of meat per capita did not increase in Sub-Saharan Africa and South Asia during the same period (*ibid.*). As the report notes, the concept of necessity is expanding, resulting in higher risks for poor households trying to reach consumption standards of richer groups or countries. This might imply ‘crowding-out’ expenditure on basic needs such as food, basic education and health care.

The environmental implications of current production and consumption patterns are well-known and their challenges studied by environmental scientists (von Weizsäcker, E. *et al* 1998.; Jackson and Michaelis 2003; Hofstetter *et al.* 2005, among others). The economic risks for poor countries relating to the production strategies of multinational corporations currently leading the world’s production and distribution systems are also widely tackled by researchers on globalisation and mundialisation (Sutcliffe 2001; Klein 2001; Sklair 2002 among others). However, the repercussions of current patterns of consumption on individuals’ wellbeing have not been yet thoroughly investigated by the academic community.

The neoclassical economics argument that people’s sovereign choices deserve an ultimate respect and are signalling what they obtain their happiness from has proved to be a powerful deterrent for social scientists. Despite Veblen’s work in 1899 inspiring Duesenberry’s (1967) research on social comparison-led consumption, Galbraith’s (1977) warnings about the pervasive effects of the production system and Scitovsky’s (1986) work on the satiability of the demand for ‘comforts’; most economists do not challenge Samuelson’s (1938) *revealed preference axiom*.

However, separating themselves slightly from the leading orthodoxy, some economists since the early work of Easterlin in 1974 have studied the links between consumption and people’s appraised utility or happiness. Easterlin’s most striking and empirically confronted finding has been that people in rich countries despite the continuous growth

in consumption are not increasingly happy. Nevertheless, in each and every country, rich people are happier than poor people; but again the effect is much weaker than the one economists would initially predict if, by consuming, people were only targeting their own happiness. That consumption and happiness are not always related has often been explained in terms of adaptation and social comparison. The former concerns people getting used to material deprivation and wealth. The latter points at the role of the reference group and the search for status and social recognition.

Nevertheless, happiness might not be the ultimate goal of consumption. People consume by following traditions/binding customs, commitments and moral/religious obligations. They might buy something because of envy, in order to build their identity or to satisfy their basic needs. Some of the most common drives for consumption studied by social sciences might or might not directly result in enjoyment and contentment but in tranquillity, feelings of belonging and respect, etc. Why people consume is important. Psychologists such as Carver and Baird (1998), Srivastava and colleagues (2001) and Sheldon and colleagues (2004) studying materialism claim that not all motives for wanting money or material things have the same effect on subjective wellbeing (SWB). When motivations are led by extrinsic rewards or punishments SWB decreases and when they are caused by inner fulfilment of the individual's intrinsic needs it increases.

Moreover, wellbeing is not just related to people's feelings. As Gasper (2004: 9) puts it, 'SWB is an unreliable proxy for the content of a person's life, due to *framing effects* (feelings depend on what one is used to/expects/perceives) and *adaptive preferences* (preferences often adjust to rationalise what one has)'. Thus objective approaches such as the capability approach initiated by Sen (1985) and basic needs theories like the Theory of Human Need (THN) developed by Doyal and Gough in 1991 appear as alternatives for measuring wellbeing. They claim that consumption does not add to wellbeing if goods and services do not expand people's capabilities or increase needs satisfaction.

Relating to the above literature but taking basic needs as initiators of action, Max-Neef (1989, 1991) developed a taxonomy of human needs and a classification of satisfiers. The latter were not directly identified with goods and services but were affected by them. His categorisation highlighted the potential harmful effects of consumption when it focuses on satisfiers that do not contribute to their targeted need and/or even prevent the satisfaction of other needs. Max-Neef's work opened the ground for analysis of the effects of goods and services on wellbeing from a basic needs perspective. So far, his work has inspired development practitioners and some academic research. Jackson and Marks (1999) and Schuldt (2004) have explicitly drawn on his work to claim that current patterns of consumption are seriously threatening people's wellbeing.

Jackson and Marks' study of consumption patterns in the UK using British longitudinal data found that people were increasingly buying material goods in order to satisfy non-material needs. The latter remained unfulfilled, which was detrimental for human wellbeing. Similarly, Schuldt, a Peruvian economist, claimed that in Lima increases of consumption were not resulting in higher basic needs levels. He argued that since the late nineties the proliferation of shopping malls in middle and low class suburbs, the intensification of marketing campaigns and the spread of credit facilities were directing people's consumption to goods and services that give status even if, for instance, in the case of food, they were less nutritious than affordable alternatives.

Drawing on social science theoretical and empirical research, this thesis explicitly addresses the effect of consumption on people's wellbeing. Besides using expenditure as a proxy for consumption it incorporates its social, symbolic and hedonic meaning through the concepts of *motives* and *satisfiers* following psychologists' and human needs theorists' claims of their relevance to understand the effects on wellbeing. The research focuses on people from seven communities of a Central Peru corridor running from the Andes into Lima that have been studied by the Wellbeing in Developing countries (WeD) ESRC Research group from 2002 to 2007. The next section introduces the research questions and summarises the methodological approach.

1.2 Research outline

Consumption and wellbeing are multidimensional concepts. Consumption concerns 'the use of resources to satisfy current needs and wants' (Bannock *et al.* 1998: 76). It is commonly approximated by expenditure although some studies also use income and wealth as indicators of consumption. This thesis uses expenditure as it is the measure more directly related to current consumption and is also the one used by the Peruvian *Instituto de Estadística e Informática* (INEI). The INEI (2001: 276) argues that since expenditure includes resources from savings and credit and they are not affected by the existence of the informal sector, they are a better proxy for consumption. The biggest drawback of using expenditure comes from computing durables, since they are only accounted for in the period they are purchased and exaggerate or understate the final figure. However, the research has a qualitative empirical part where what people consume is taken beyond what they spend at a moment in time to the goods and services they use, which complements the information obtained through expenditure.

Wellbeing is understood as an umbrella term that embraces objective and subjective approaches. Subjective wellbeing concerns people's appraisal of their life circumstances and mental states whilst objective wellbeing draws on broad indicators of universal character such as life expectancy, literacy rates, economic growth or basic needs levels. Both approaches are investigated in this thesis with regard to the impact that consumption has on them. The comprehensive nature of the research involves the use of a multi-methods strategy where quantitative and qualitative instruments and analysis are combined to reach a global understanding without disregarding local specificities.

The effect of consumption on subjective wellbeing is researched by including the economic and psycho-social dimensions of consumption through expenditure and motives in a regression analysis study that takes happiness as a dependent variable. The effect of consumption on objective wellbeing is addressed by analysing the goods and services used to satisfy people's needs through qualitative methods. Both studies contribute to answering a general research question concerning *how consumption affects human wellbeing*. This is narrowed down by investigating *the extent to which motives add to the knowledge provided by economic measures on the linkages between consumption and subjective wellbeing* in a Peruvian corridor. It is taken further with *the study of the efficiency of satisfiers in contributing to basic needs* in Nuevo Lugar, a shanty town of Lima.

1.2.1 Consumption and Subjective Wellbeing: The role of motives

The first specific research question concerns the effect of consumption on people's happiness in seven communities of the Peruvian corridor, drawing on data from the first round of the WeD Income and Expenditure survey (I&E) and the Resources and Needs Questionnaire (RANQ). It follows the economics of happiness approach (Clark and Oswald 1995; Frey and Stutzer 2002a, 2002b; Van Praag and Ferrer-i-Carbonell 2004) but broadens traditional analyses that focus exclusively on economic measures such as

income by incorporating motives for consumption. These motives capture a psycho-social dimension that psychologists have shown influences people's SWB. Hence, consumption is not only tackled in material terms but its multidimensionality is incorporated through the reasons people have to consume.

First, the study relies on content analysis of an open-ended question on motives for consumption that is categorised following ethnographic knowledge about the corridor and the socio-economic, cultural and human-needs-related aspects highlighted by social scientists. Second, the research uses regression analysis in order to assess the relationship of expenditure and motives for consumption with happiness accounting for the relevant socio-demographic variables. The latter includes an indicator of the household level of basic needs. This allows people's motives related to basic requirements to be confronted with their objective situation whilst exploring the links between objective and subjective measures of wellbeing.

The effect of the three types of variables is analysed through a latent response model (Ferrer-i-Carbonell and Frijters 2004) that will be described in detail in Chapter 6. The working hypothesis of this part of the research is that consumption affects subjective wellbeing not only through absolute or relative income but through the reasons people have to consume.

1.2.2 Consumption and Objective Wellbeing: The role of satisfiers

The second research question concerns the efficiency of specific goods and services in satisfying basic needs. It investigates what people consume and why they do it, accounting for the structural characteristics of the community and the economic, social and cultural constraints affecting its dwellers. The analysis draws on in-depth interviews and focus groups that I carried out in Nuevo Lugar from July to August 2005. The content of participants' narratives is analysed following a 'three-step approach' designed to get at local understandings of consumption and basic needs whilst deriving potentially universal trends.

The first step investigates participants' views on the basic requirements for a 'good life' following Clark's (2002) research in South Africa. The extent to which their accounts can be taken as basic needs relies on confronting those with the list of intermediate needs of Doyal and Gough's (*op. cit.*) theory. The second step analyses motives for consumption in Nuevo Lugar and focuses on expenditure driven by felt needs. The things people spend their money on driven by felt needs are compared to participant's valued functionings in order to define 'wanted needs satisfiers'. The efficiency of the latter is finally investigated through people's accounts from the perspective of basic needs theories, mainly the THN and Max-Neef's classification of satisfiers. The study is meant to help explain the relationships found in the regression analysis and opens the field for a systematic assessment of satisfiers.

1.2.3 Context of the research

In a context of material poverty, a scenario where consumption does not increase wellbeing or might even reduce it is especially threatening. Peru is a lower middle-income country with acute economic and social inequalities and with a low degree of basic needs satisfaction. Three rural, two peri-urban and two urban communities in Peru have been involved in the WeD research on development and wellbeing. The WeD group at the University of Bath in the UK has carried out research in Bangladesh, Ethiopia, Peru and Thailand from 2002 until 2007. The broad aim of WeD has been to develop a methodological framework for understanding the different dimensions of wellbeing in developing countries and in

order to do that they have implemented several research instruments and approaches (see www.welldev.org.uk) from which this thesis has partially drawn.

The choice of Peru among the four WeD countries was done for two reasons. The first is that Peru is one of the countries in Latin America with greater consumption disparities between rich and poor. Whilst the share of consumption of the poorest 20% only accounts for 3.2% of total household consumption, the richest 20% takes more than half of the share (60%) (UNDP 2006). The second is of a practical character. The thesis was always designed to have a quantitative part and a qualitative one and given the time constraints and the nature of the research, it could not have been carried out if the researcher did not have a good command of the participants' language.

The Peruvian communities involved in the research constitute what WeD has termed the *Peruvian corridor*. The communities run from the Andean Central highlands into Lima. They show not only geographical differences but also different degrees of urbanisation, types of market, proximity to centres of political power, ethnicity and language. The biggest community in the sample is Nuevo Lugar, which is also one of the geographical, economic and cultural ends of the corridor. Its closeness to the capital city together with its exclusively migrant population makes it an interesting setting for the more in-depth study of satisfiers.

1.3 Thesis outline

This thesis has three different parts. The first (Chapters 2 and 3) concerns the survey on social science literature on consumption and wellbeing, which informs the analytical framework presented in Chapter 4. The second part (Chapters 5 and 6) comprises the study of motives of consumption in the Peruvian corridor and its relationship with SWB. Chapters 7 and 8 focus on basic-needs-driven consumption and explore whether the goods and services purchased are successful in meeting basic needs in Nuevo Lugar.

Chapter 2 begins with a review of the main assumptions of neoclassical economic theory and its critics. It shows how consumer sovereignty is challenged when the persuasive power of advertising and the constraints imposed by institutions are contemplated. Rationality is a restrictive assumption when moral attachments, habituation, addiction and other behavioural motives are taken into account. Exogeneity of preferences is difficult to sustain when adaptation is considered and insatiability is unrealistic unless one distinguishes between needs and wants. The chapter also reviews alternative approaches to consumption in the social sciences highlighting: the symbolic meaning of goods; the role of social comparison and status; people's inherent craving for novelty and pleasure; materialist values and personalities; and the role of needs as consumption drivers. Finally, it presents Max-Neef's taxonomy of needs and classification of satisfiers.

Chapter 3 reviews concepts and empirical research on the hedonic and eudaimonic approaches to wellbeing, focussing on the effects of consumption. It first summarises psychologists' and economists' methodological approaches to wellbeing. Next it discusses Easterlin's (*op. cit.*) initial findings on income and happiness in the light of recent empirical research in developed and developing countries. The chapter also brings in a complementary approach to wellbeing based on the eudaimonic tradition within psychology focussing on Ryan and Deci's (2000) Self-Determination Theory and the role of motives. It also reviews the *Theory of Human Need* by Doyal and Gough (*op. cit.*) and its definition of physical health and autonomy as the two basic universal needs together with its take on satisfiers.

The conceptual and methodological challenges of the research are addressed in *Chapter 4*. It first depicts the analytical framework that will be used to answer the two specific research questions. Their different epistemological and ontological implications result in the use of a mixed methodology where qualitative and quantitative approaches are given the same weight. The methodological design is discussed together with the sources of data. The latter comprises primary data from WeD instruments as well as from my fieldwork in Nuevo Lugar. Then, issues regarding validity, reliability and inference are discussed alongside the ethical implications of the research. The chapter finishes with a brief description of the context of the research outlining the characteristics of the seven communities of the Peruvian corridor.

Chapter 5 begins the analysis of consumption in the Peruvian corridor. It first presents and discusses the methodology followed to collect, transform and analyse motives for consumption. This involves introducing the open-ended question on motives and priorities included in the WeD I&E survey. It also implies discussing the process followed to code and generate the 'motive' factors that will be used as independent variables in the regression analysis in *Chapter 6*. The chapter also describes the type of motives that emerge in the Peruvian corridor together with its relationship with people's priorities of consumption. The latter are compared with people's patterns of consumption and their similarities and differences are also discussed.

The empirical model used to analyse the effect of consumption on happiness in the Peruvian corridor is depicted in *Chapter 6*. To begin with, it shows how happiness varies with regard to location, income, level of intermediate needs and motives for consumption. Then it focuses on the distinct effect of motives for consumption on people's happiness; whether they matter or not outside the amount of money devoted to consumption and how they relate to the broader Peruvian social, economic and cultural context. The analysis finishes by drawing some hypotheses about the efficiency of the goods and services people buy driven by basic needs; which might contribute to explain the sign of the relationship between basic-needs-driven consumption and happiness and are studied in depth in the following two chapters.

Chapter 7 presents the 'three-step approach' to the study of consumption and basic needs. Drawing from the in-depth interviews and focus groups undertaken in Nuevo Lugar, the chapter presents the findings of the first and second steps. First, it explores the visions of the 'good life' in the slum and compares them to the universal and intermediate needs of the THN. Second, it analyses people's expenditure and defines categories with regard to the degree people stress their importance, the main motives attached to their consumption and the sources of information they draw on. It finally focuses on the goods and services consumed driven by satisfaction of felt needs that are also valued components of the 'good life'. Those goods and services constitute what this research names 'wanted needs satisfiers'.

Chapter 8 presents the analysis of people's accounts regarding 'wanted needs satisfiers' in Nuevo Lugar drawing on people's narratives, WeD data on the slum and other secondary sources. The study contributes to shed light on the findings of the quantitative analysis presented in *Chapter 6* regarding the linkages between basic needs motivated consumption and subjective wellbeing by studying the specific goods and services people spend money on. The chapter illustrates how people go about their consumption of housing, food, health, education and household appliances. It examines the type of products and services consumed within those categories having as a reference point the characteristics of the THN universal satisfiers. Their effectiveness is discussed with regard to Max-Neef typology of harmful and singular or synergic satisfiers.

Chapter 9 summarises the three different levels at which this research contributes to the literature on consumption and wellbeing. The first is empirical through the knowledge gained concerning the effects of consumption on wellbeing in the Peruvian corridor and Nuevo Lugar. The second is conceptual as it introduces the use of motives and satisfiers to connect the different aspects of consumption highlighted by the social sciences. The third regards the multi-methods research strategy used in the thesis together with a theoretically informed bottom-up approach. The chapter concludes with an examination of the limitations of the research and the avenues opened for further work.

In summary, this research engages with general concerns about the effect of current consumption patterns. However, it does not focus solely on over-consumption or status-oriented purchases. It aims at a broad understanding of the consumption process and its impacts. By doing this it highlights the factors that enhance its positive effects and the ones that show to be detrimental for human wellbeing. This knowledge could be used as the basis for developing policies that intend to transform consumption patterns.

2 Theories of consumption: Economics, sociology, psychology and anthropology of consumption

2.1 Introduction

This chapter presents the different approaches to consumption studied by the social sciences. Its main goal is to introduce the factors that have been found to affect people's consumption. Knowing the different theories explaining the reasons why people consume and the internal and external forces that drive their consumption practices will provide part of the theoretical framework of this thesis. This will be particularly useful when codifying people's reasons to consume in the Chapter 5.

First, the chapter reviews the main assumptions of the neoclassical economic theory of consumer choice¹. It begins with a discussion of the main axioms and presents its major drawbacks. It is argued that neoclassical consumption theory lacks realism when assuming consumer sovereignty, rationality, insatiability and exogenous preferences. Consumer sovereignty might be challenged by the power of advertising and the constraints imposed by institutions. Rationality described as maximisation of individual utility is a restrictive assumption when moral attachments, habituation, addiction and other behavioural motives are taken into account. Insatiability does only hold for specific goods. Finally assuming, exogeneity of preferences is unrealistic when consumers' adaptation to the set of goods that are possible to achieve is considered.

Next, I survey a selection of approaches from anthropology, sociology, psychology and human needs theories. This section is structured through extrinsic-intrinsic criteria; extrinsic forces beyond the individual and intrinsic causes of action originating from inside the individual. Thus, cultural approaches are first reviewed as the most external contextual influence to act on consumption practices. They are followed by insights on how social comparison operates; the importance of pleasure seeking; the influence of materialistic values and personality traits; and the power of unfulfilled basic needs.

2.2 The axiomatic approach to consumption in economics: Criticism and challenges

The neoclassical theory of consumption undertakes a positivistic analysis of consumer choice as it attempts to depict how the individual goes through the process of choosing among bundles of goods when prices and income are given. In so doing they make several assumptions that simplify the individual's behaviour and allow for formalisation and the posterior development of complex theories of consumption.

The assumptions supporting the theory of consumer choice as they are known today were settled at the beginning of the twentieth century with the work of Samuelson (1938) who increased the formal rigour of the neoclassical analysis that had started with the marginalists² during the second half of the 19th century. Marginalists emerged as a result to the criticisms received by classical economists about the non-existence of a natural order in the economy. They supported mathematical approaches to analyse economic problems in order to create a 'reliable' science. Thus, they separated themselves from the

¹ The term neoclassical economics is used after Nicolaides' (1988) definition based on the type of economic analysis that is presented in economic textbooks of an intermediate level.

² The marginal utility revolution started with Menger (1871), Jevons (1888) and Walras (1954) among others. Utility is located at the individual level and its pursuit is the source for the derivation of demand curves.

old view of economics as a science concerned with the inner nature of the economy (Storkey 1993). Critiques and alternatives to the neoclassical paradigm have arisen occasionally during the twentieth century led by Institutional and Marxist schools but they 'have been too quickly fragmented and/or forgotten' (Ackerman 1997: 652)³.

Drawing from the marginal utility theory consumption is reduced to the logic of choice developed in stable conditions by a purposive consumer. Its basic assumptions are as follows:

1. A sovereign individual who acts in the market through given preferences and chooses what to purchase from the available information about goods and prices.
2. Individuals who behave rationally, which implies that their aim is utility or welfare maximisation and mostly in their own interest⁴.
3. Individuals get satiated by single goods but get ever mounting satisfaction by consuming more of different goods and services.

Thus the neoclassical theory takes consumers as sovereigns, utility maximisers, insatiable and having exogenous preferences. These assumptions imply that there is direct positive relation between consumption and wellbeing since sovereign rational individuals will always choose to consume what increases their utility.

Utility in neoclassical terms is identified with welfare or more broadly wellbeing. It remains, since the marginalists, only slightly related to the original utilitarian meaning associating utility to happiness (Bentham 1780; Mill 1863). Marginalists, still considered that consumption generated welfare and that welfare or degrees of happiness could be measured and aggregated through cardinal utility functions to obtain specific values. Therefore, the level of utility achieved through consumption could be compared among different individuals and societies and through time. However, since Pareto (1916) utility has been taken as an ordinal concept implying the impossibility of making interpersonal and inter-temporal comparisons. From then onwards only the way individuals rank different goods or situations mattered.

The shift from a cardinal view of utility to an ordinal one has several implications. As Sen (1985) claims, taking the rank given by individuals to different goods as an ordering of a person's wellbeing is an heroic simplification, which blurs the direct link between consumption and wellbeing through utility. Moreover, the shift from cardinal to ordinal utility also implies that the analysis of consumer behaviour focuses on choice and abandons the concept of decreasing marginal utility of consumption. As Galbraith (1977) puts it, the analysis of consumption departs from the diminishing urgency of wants.

³ It should be noted that orthodox or neoclassical economics does not represent a compact body of theorists or schools. It includes rationalists, positivists and causal theories among others. Storkey (1993) gathers together all these approaches under the term Foundationalism referring to the 'way of approaching knowledge which requires theory to be constructed according with principles which guarantee its certainty and validity'.

⁴ 'The first principle of Economics is that every agent is actuated only by self-interest' (Edgeworth 1881 cited by Sen 1977: 317).

Although economists do not aim at offering a comprehensive explanation of why people consume or what they choose to buy, their simplified approach has had an overwhelming impact in policy-making. Most influential international institutions (World Bank, International Monetary Fund, let alone the majority of the most influential countries - OECD and G-7) have traditionally considered that growth in terms of Gross Domestic Product or consumption is a positive sign of development in spite of the clear human and environmental toll. Most of the growth discourse arguments have their roots in the neoclassical axioms that are discussed hereafter.

2.2.1 Consumer sovereignty

In the neoclassical analysis, the individual is considered to be sovereign in choosing among different consumption bundles. Consumers make autonomous choices, which means that they play an active role in determining the amount and the characteristics of the goods offered in the market. If consumer sovereignty prevails, production is understood as being subordinated to consumers' requirements expressed through market decisions. Norton and colleagues (1998) explain why neoclassical economists have stuck to the notion of consumer sovereignty.

'A commitment to democracy, and a rejection of any role for philosopher kings, scientific experts or, especially, for totalitarian manipulators of opinion, demands that preference formation be a highly individual, non-coercive process, according to this view. In this sense the individual consumer is sovereign, even as his or her preferences change, because the process of preference change is directed by the individual, rather than by an outside agent (this of course flies in the face of the fact that preferences are being manipulated by outside agents every day)' (Norton *et al.*, 1998: 7).

Neoclassical economists committed to democracy would accept that preferences change but would not include those changes in the model because it would imply making an evaluation of preferences which could be accused of paternalism, expertism and/or totalitarianism. Other schools of economic thought, like neo-marxists and institutionalists⁵ have taken a more realistic approach highlighting the role of business and other institutions (like the state) and processes (like urbanisation) in shaping consumer preferences (refer to the work of Packard 1981 and Galbraith 1977 among others).

Packard in his book *The Waste Makers* (1961) described how businesses have changed Americans' mentality. He argued that during the fifties American companies needed to find a strategy to boost sales in order to compensate for increases in productivity. In order to do that they launched marketing campaigns discrediting previous inhibitions around accumulating goods and inducing a positive attitude towards carefree buying, accumulating possessions and momentary pleasures. This resulted in a change of mentality and increased consumption leading Packard to reject the consumer sovereignty assumption.

Nevertheless, the consumer is not only influenced by corporate marketing strategies. The prescriptive power of social capital (Becker 1996 in Cowan *et al.* 2003) and norms (Galbraith 1977), the working and living environments (Schor 1998), and the support to the capitalist system offered by the state and related institutions (Wetherly 1996) are also

⁵ Although there is a distinction among old and new institutionalists (Hodgson 2000; Vandenberg 2002), in this first chapter institutionalism refers to the 'old' school.

contributing to shape the character of consumers. All those factors question individual sovereignty.

2.2.2 Rational behaviour

‘Individual decision makers are presumed, to be rationally maximising their satisfactions, or their benefits over costs, as they see them (*the rational choice hypothesis*). This hypothesis is essential for scientific work in that ‘if people do not behave in predictable ways, then the idea that we can regulate society by laws and incentives becomes untenable’ (Veljanovski, 1990, p.35). It allows one to flesh out predictions of how individuals are expected to react to changes in their environment.’ (MacKaay 2000: 408)

Individuals behave rationally when they assess alternative courses of action taking into account the associated personal benefits and costs, and choose what is best for them in the light of the information available. In neoclassical economy, rational behaviour implies that individuals seek to maximise their own utility or welfare not necessarily accounting for the welfare of others when deciding what to consume (this defines the *homo economicus*). If individuals for any reason do not follow the maximizing behaviour, neoclassical economists will take them as being irrational. There are some commonly accepted exceptions to this definition, mainly when individuals cannot make an informed choice because information is too costly or is not generally available. Neoclassical economists refer to this situation as *bounded* rationality (Simon 1991).

Sen (1977) questions the adequacy of treating consumers as utility maximising egoistic individuals. He considers the neoclassical approach to be reductionist given that, for instance, choices driven by moral attachments to a group or collective are not contemplated as rational. Sen claims that there is not any inconsistency in the behaviour of individuals acting because of compromise. Therefore he proposes, within the neoclassical framework, to widen the concept of rationality to incorporate behaviours motivated by feelings other than egoism, like compromise with a social, political or religious group.

Sen’s work relates to the fact that social interaction matters for people’s wellbeing. Classical economists considered that social interaction affected the utility derived from consumption of most goods and services (Smith 1776; Veblen 1899; Marshall 1890). The patterns of consumption of certain groups influenced people’s preferences and also the utility derived from purchases. Although those issues will be developed later in the chapter, it is worth signalling that they have been also collected by economists and even formalised (Leibenstein 1968; Becker 1976; De Young 1993; Cowan *et al.* 2003).

Factors other than commitment and social comparison have also been included in the economic analysis. For instance, institutionalists highlight the role of habit as a guide to human behaviour. They believe that individuals follow habits and routines and are influenced by culture and structures in their consumption processes. They argue that imitation and spreading of habits generate institutions⁶, which are seen at the same time as reinforcing and fostering particular behaviours and habits (Hodgson 1998). An example of such institutions are ideologies, which provide guidelines for action and ease

⁶ Institutions ‘encompass not simply organisations such as corporations, banks and universities but also integrated and systematic social entities such as money, language and law’ (Hodgson 1998: 179).

the strain of looking for all the relevant information needed to make an informed choice (Vandenberg 2002).

Some of the previous considerations have been recognised by several mainstream economists, and preferences previously seen as irrational such as the ones generated by commitment to a specific group or altruism (Becker *op. cit.*) addiction (Winston 1980) or social interdependence (Liebenstein 1968; Cowan *et al.* 2003), have been included in the neoclassical analysis. Habit, which for institutionalists explains rational choice, has also been addressed in orthodox writings (Hodgson 1998). Taking into account all those criticisms it is difficult to sustain that individuals have a utility maximising goal when they choose what to consume. It becomes possible that some of their choices can make them unhappy or at least not happier.

2.2.3 Insatiability

‘When man has satisfied his physical needs, then psychologically grounded desires take over. These can never be satisfied or, in any case, no progress can be proven. The concept of satiation has very little standing in economics. It is held to be neither useful nor scientific to speculate on the comparative cravings of the stomach and the mind.’ (Galbraith 1977: 119)

In neoclassical economics ‘the only meaningful forms of individual satisfaction result from more consumption’ (Ackerman 1997: 652). It is supposed that rational men cannot systematically overestimate the amount of goods needed to increase their utility. Individuals do not choose an excessive amount of goods, ‘why should they?’ (Varian 1987: 48). Possibly there is no reason to think anyone will buy goods beyond the point in which they feel satiated. However, it is a common experience in Western households to face situations in which an excessive amount of the same good has been purchased (TV sets that are never used, spare shoes and dresses, perfumes, watches, mobile phone sets, etc...). This is not contemplated in the neoclassical economics analysis due to the insatiability assumption and to the fact that differences between types of goods are not always taken into account⁷.

Critics of the insatiability assumptions have always started their arguments by distinguishing between drives motivating consumption. In the early twentieth century, Alfred Marshall (1890) already acknowledged higher and lower desires (i.e. desire for excellence versus desire for social distinction) and conventional and natural wants (i.e. clothes identify people and protect them from the environment). He asserted that ‘human wants and desires are countless in number and very various in kind: but they are generally limited and capable of being satisfied’ (Marshall 1890 Book III, Chapter I: 1). Later in the century, Keynes (1963) maintained that absolute needs, the ones that are independent of social status were satiable and therefore they showed a decreasing marginal utility (people would experience decreasing pleasure as they consumed more goods addressing absolute needs). Later, Scitovsky (1976) in his *Joyless Economy* drawing

⁷ In neoclassical consumer theory some categories of goods have been singled out such as Giffen goods, luxuries and public goods, but those are supposed to be exceptions to the standard goods acquired by consumers.

from psychology studies distinguished between the desire for comfort and pleasure⁸, desires for the first being satiable whereas desires for the second might not.

Acknowledging the existence of higher and lower desires, absolute and relative needs, and desires for comfort and pleasure implies that satiation might occur when consumption is driven by specific needs, desires or wants. Critics of the insatiability assumption claim that culture, society and people's psychological cravings for social recognition and excitement, among others, are triggering drivers of the insatiable sort thus fostering ever mounting consumption. For example, the requirement of a dress for physical protection might be easily satiated although its role as providing social distinction might entail increasing the variety and quality of clothes, thus impelling consumption.

Finally, accounting for different types of drives points at the role that motives might play in understanding consumption. The demand for a specific good can be driven by multiple motives. Economists have pointed to the fact that some drives might lead to satiation and some might not. The latter are usually socially related or like Scitovsky posited originate in people's craving for excitement. How social sciences other than economics have approached the role of social comparison, culture and the dynamism of consumption will be addressed after discussing the 'exogenous preferences' assumption.

2.2.4 The debate on preferences

Classical economists considered that individual preferences were socially constructed, conditioned by societal norms, customs and historical experience (Nicolaidis 1988). With the marginalist revolution in the second half of nineteenth century, and the beginning of the development of the theory of consumer demand, came along a different take on preferences. Shaping forces were no longer taken into account due to the difficulties of incorporating them into the more formalised and mathematically sophisticated economic science. Thus, preferences have since then been considered as given (exogenous) and stable, implying that they do not change over time⁹.

Assuming exogeneity of preferences and rational behaviour implies that a way to know what people prefer is by observing their choices, following Samuelson's (1938) revealed preference theory. To ascertain which bundle is preferred with regard to another one, consumers are observed in the situations in which they have to make a choice. If people always choose X when they could choose Y it will be asserted that they prefer X to Y and thus that X is giving to them more utility than Y.

Thus, neoclassical economics infers from the information provided by the market people's structure of preferences¹⁰. This method is easy to challenge as it only proves that observed

⁸ Comforts would be provided by TV sets, sofas, central heating and so on, whilst pleasures would be supplied by holidays, outdoor activities and tickets for concerts or sports events, etc.

⁹ This is a general assumption based on the works of Samuelson (*op. cit.*) where he claims that the preference scale which is the basis of individual's action does not vary over time.

¹⁰ To infer the structure of preference of individuals the observations undertaken have to follow the strong axiom of revealed preference which would imply transitivity in the preferences that originate the choices observed. The strong axiom of Revealed Preference asserts (Varian 1987: 128) that if a consumer reveals directly or indirectly that she prefers $X = (x_1, x_2)$ to $Y = (y_1, y_2)$ and X is different from Y then she cannot reveal directly or indirectly that she prefers Y to X.

choices, if they follow a certain rule, are consistent with preferences defined in the neoclassical terms (completeness, reflexivity and transitivity). But even in mainstream books of economics it is acknowledged that this is only an abstract construct for the purposes of a coherent economic model. As Varian (1987: 129) asks 'Does this prove that the constructed preferences actually generated the observed choices? Of course not'. Therefore, in the neoclassical theory of consumption, preferences are an abstract construct unrelated to the environment in which they are generated and inferred in a way that cannot prove itself even to reflect actual consumer choices¹¹.

Given those caveats, economists accept that exogeneity of preferences is one of the weakest assumptions of the theory of consumer choice. This has led some economists to account for preferences creation drawing from other social sciences, mainly psychology and sociology. Others, like analytical Marxists (Roemer 1986) have focussed on the role of the supply side of the market and how they influence demand. They have claimed that *the productive forces and the economic structure* are key agents contributing to the creation of preferences and should be incorporated into the microeconomic formalisation of the consumer demand. In this line, Roemer (*op. cit.*) presents a model of consumer choice based on a rational individual that makes decisions under pressure from institutions and technology and is influenced by his/her position in the productive system and habit.

Drawing from *psychology* studies, Akerlof and Dickens (1990) incorporated in the formal analysis of decision making the theory of cognitive dissonance, which concerns the fact that individuals manipulate their beliefs to confirm their desires. Thus the psychological processes that affect people's choices are accounted for, including the role of advertisers and marketers as reinforcing people's process of belief manipulation. The authors argue that advertising provides individuals with the justification they need to believe they have acquired the goods that satisfy their wants. Despite going beyond most of the traditional assumptions of neoclassical economics, Akerlof and Dickens' work remains orthodox and assumptions such as consumer sovereignty¹² are still contemplated.

Moving away from microeconomic formalisation, old institutionalists, following classical economists, take preferences as endogenous based on the *social and relational meaning* of consumption. For instance, Duesenberry (1967) rested his theory of the consumption function on the assumption that preferences were dependent on relative social status. He formulated a relative income hypothesis contending that relative income was the dominant influence on the proportion of income spent rather than saved. Later, Scitovsky (1986) highlighted the relevance of the amount of purchases led by individuals' desire to *obtain and reaffirm their membership in their own society*. In 1978 Hirsch, accounting for the effects of other people's consumption on individuals' consumption pointed at the

¹¹ Hollander (2001: 228) discusses the revealed preference theory and considers that the 'behaviouristic utility concept with utility defined as preference fulfilment is not actually operationally meaningful' and goes on to considering that 'at least some circumstances of choice are necessarily endogenous to the measurement process'.

¹² Consumer sovereignty still holds as they consider that individuals, having complete information about the consequences of their actions, being misled or not, are still sovereign to choose among consumption alternatives, because the reason for them being misled is their need to reinforce the image that they have of themselves.

perversity of a process led by the need to impress others. He claimed that consumers pose technical limits on their own consumption as, for instance, road congestion is only a result of massive consumption of private transportation. He focussed on how overcrowding changes the characteristics of goods and thus the satisfaction derived from them.

‘The satisfaction derived from an auto or a country cottage, depends on the conditions in which they can be used, which will be strongly influenced by how many other people are using them. This factor, which is social in origin may be a more important influence on my satisfaction than the characteristics of these items as ‘private’ goods (on the speed of the auto, the spaciousness of the cottage and so forth).’ Hirsch (1978: 3)

Institutions and adaptive preferences

The role of institutions and other structural constraints interacting with individuals during their consumption processes (and not only when they choose what to buy) has triggered research on typologies of people’s responses to them, adaptation being the most widely investigated. Bowles (1998) incorporates history and experimental economics in his analysis of how economic institutions affect the process of choice. He classifies the effects of markets and other economic institutions on preferences under five categories summarised in the table below.

Table 2.1: Effects of economic institutions on preferences¹³

Framing and situation construal	Economic institutions are situations in the social psychological sense and thus have framing and other situation construal effects: people make different choices depending on whether the identical feasible set they face is generated by a market-like process or not.
	-

Source: Bowles (1998: 77)

The effects described in Table 2.1 depict the way institutions like markets and governmental authorities shape people’s choices. They set the framework in which individuals undertake their decisions, which has psychological impacts and affects values, attitudes, desires and cultural learning and therefore choices. For instance, some policies, by reinforcing current consumption patterns or social norms might drive individuals to consume the service or commodity offered by the market instead of asking for public provision or using public facilities. This argument is related to the existence of socio-

¹³ Although Bowles makes the classification regarding economic institutions, his framework could be easily extended to account for a wealth of institutions like religion, marriage and regulation, among others.

technical systems, which through making available or not available certain infrastructures lock individuals into specific patterns of consumption. Cowan (1983: 73) identified eight technological systems that supply individuals with food, clothing, health care, transportation, water, gas, electricity and petroleum products. Those systems do not only trigger consumption of the goods provided but they frame how other goods will be consumed and foster consumption of associated products. 'So households consume water and electricity, but only when both are available are they likely to own washing machines, dishwashers and showers' (Warde *et al.* 1998: 11).

The effects of institutions appear so overwhelmingly important that the psychological strategy individuals follow to deal with them has triggered much theoretical and empirical work in the social sciences. One such reaction to external influences is *adaptation* (as opposed to feelings of unrest) that has been thoroughly analysed in psychology (see Frederick and Lowenstein 1999) and also by heterodox economics as an argument against exogeneity of preferences with Jon Elster's (1983) *Sour grapes: studies in the subversion of rationality* as most representative.

'Why should individual want satisfaction be the criterion of justice and social choice when individual wants themselves may be shaped by a process that pre-empts the choice? And in particular, why should the choice between feasible options only take account of individual preferences if people tend to adjust their aspirations to their possibilities?' Elster (1983: 109)

Elster claims that there is nothing like individual sovereignty. Institutions and companies producing the goods and services people have to choose among are actually setting consumers' options by shaping wants and providing for the goods that satisfy them. Subsequently, Elster goes on to question whether actual choices are at all related to consumers' preferences. As the available consumption bundles have been created by the market and other institutions, individuals adapt to this framework and choose what is attainable, not what they might desire, dream of, or prefer under alternative institutional settings.

Elster distinguishes eight types of processes by which preferences are endogenously generated: adaptive and counteradaptive processes, preference change through learning, precommitment, manipulation, character planning, prior change of attribute weights, state-dependent preferences and rationalization¹⁴. Adaptive preferences are one of the processes identified by the author which occur when people's 'desires or preferences are adjusted to what it is possible to achieve' (Sandven 1999: 5). Their importance for the analysis of consumption comes from the fact that they are believed to originate most consumption choices (*ibid.*). Adaptive preferences are not only endogenous preferences, neither preferences constrained by the institutional framework, but preferences that arise when individuals have limited bundles from which to choose and they manage to do it without much personal anxiety or dissatisfaction. In Elster's words:

'Adaptive preference formation is the adjustment of wants to possibilities - not the deliberate adaptation favoured by character planners, but a causal process occurring non-consciously. Behind this adaptation there is the drive to reduce the tension or frustration that one feels in having wants that one cannot possibly satisfy.' Elster (1983: 25)

¹⁴ See Elster (1983: 111-125).

Thus, Elster's approach to adaptive preferences takes them as unconscious reactions of the consumer driven by avoiding frustration. He mainly focuses on scenarios where consumers are deprived of alternatives even if he also contemplates adaptive preferences as a possibility when the feasible set has been enlarged.

From a different disciplinary background, psychologists studying 'hedonic adaptation' describe it as a reduction in the affective intensity of positive and negative events. Frederick and Loewenstein (1999) posit that hedonic adaptation does not imply *per se* a negative effect for the individual as it can be developed as an instrument to cope with circumstances that cannot be changed. Nevertheless, what cannot be changed is sometimes relative and 'many of the processes involved in hedonic adaptation involve cognitive changes in interest, values and goals that might end up eroding our aesthetic standards, work against moral values, reduce our empathy towards others in different situations and cause misprediction of our own emotions or behaviour under different circumstances' (*ibid.*: 319). This is the most dangerous risk of adaptation, which might lead to choices unrelated to initial or true interests¹⁵, values and goals but with which people undertake to avoid psychological suffering. The authors illustrate the latter by referring to studies claiming that people report high degrees of adaptation to some undesirable experiences such as incarceration and disability.

Martha Nussbaum (2000) in her book *Women and Human Development* argues that adaptation is a generalized phenomenon for women as they get used to deprivation or constrained liberties. She draws on specific examples of Indian women caught in abusive marriages, suffering a discriminatory wage structure and unhealthy or unsanitary conditions. Women in these societies internalise their situation and do not necessarily feel their condition as oppressive as it would look to others and even to them if they had the chance to try a life with enlarged liberties or options. Thus 'oppressed women' would declare to have some preferences about themselves and their lives that might not be enhancing their wellbeing, if the latter is normatively designed as the fulfilment of specific requirements or capabilities¹⁶. Nussbaum believes that adaptation has distorted women's choices or prevented them from a pursuit of a higher degree of wellbeing.

Economists have also drawn on theories of adaptation when empirical research has not shown the expected links between objective circumstances in life, like material poverty, and subjective states. Although those studies will be surveyed later in Chapter 3 it is worth noting that since the work of Easterlin (1974) economists have been concerned with the weak links between income and subjective wellbeing which they have partially attributed to adaptation. However, they have found that adaptation does not apply to all life circumstances and whilst people seem to adapt to different levels of income or consumption they do not seem to get used to widowhood, unemployment, noise, commuting, lack of close friends, leisure time or holidays (Frank 1999; Hirata 2001; Layard 2005).

If adaptation exists and is a common feature of everyday choices it would have to be contemplated in describing the process of consumption. In many cases adaptation seems to have a harmful effect on individuals, when it is related to situations of danger or objective deprivation that are not perceived as such. Elster claims that enlarged choices,

¹⁵ For a discussion about real or true preferences refer to Harsanyi (1982).

¹⁶ Human capabilities are related to 'what people are actually able to do and to be' (Sen 1992: 4).

enough knowledge and information to analyse them; together with an institutional framework that does not threaten people if they change their choices, can break with the adaptive preferences problem. Nussbaum argues in favour of programmes of consciousness-raising, which would draw from the idea of good human functioning.

Finally, adaptation and its consequences pose the highest hurdle to the economics positive approach to consumer behaviour. As Storkey (1993: 199) summarises, the problem of the neoclassical approach to consumption rests in its purposeful exclusion of 'meaning, ideology, value and norms' and its 'otherworldliness'. The latter implies taking scientific knowledge to be independent of the daily experience of consumption. Such detachment, although good for the purposes of making a statement about the scientific or academic validity of the discipline, has handicapped the understanding of the consumption activity itself. The next sections review how other social sciences have approached consumption focussing on the main influential factors.

2.3 Anthropology of consumption: Goods communicate meaning

Culture provides the frame for activities to be understood and realised. What is consumed and how it is consumed is usually framed by custom, by what is traditionally done and accepted. However, what is accepted varies and agents affecting change generate a dynamic culture where goods and services acquire and lose meaning.

Anthropologists have long been studying goods and services as providing meaning, as giving information about the consumer and as the means for individuals to show affiliation to or detachment from their communities. Understanding consumption from a cultural perspective implies researching on the local meaning of consumption. It also involves taking into account the way culture is created. Douglas and Isherwood (1978) in their book *The World of Goods* clarify the anthropological approach to human behaviour.

'The individual being, stripped of his humanity, is of no use as a conceptual base from which to make a picture of human society. No human exists except steeped in the culture of his time and place. The falsely abstracted individual has been sadly misleading to Western political thought. But now we can start again at a point where major streams of thought converge, at the other end, at the making of culture. Cultural analysis sees the whole tapestry as a whole, the picture and the weaving process, before attending to the individual threads.' (Douglas and Isherwood 1978: 63)

Culture also facilitates understanding and constitutes the basis upon which consumption activities take place. This latter feature comes up in McCracken's definition of culture as a blueprint:

'Culture is the 'lens' through which all phenomena are seen. It determines how these phenomena will be apprehended and assimilated. Second, culture is the 'blueprint' of human activity. It determines the co-ordinates of social action and productive activity, specifying the behaviours and objects that issue from both. As a lens, culture determines how the world is seen. As a blueprint it determines how the world will be fashioned by human effort.' (McCracken 1990: 73)

McCracken's work situates the consumption revolution in Western societies in the eighteenth century, when:

'the world of goods expanded dramatically to include new opportunities for the purchases of furniture, pottery, silver, mirrors, cutlery...there were

also new developments in the frequency with which goods were bought, the influences brought to bear on the consumer, the number of people engaged as active consumers, and the tastes, preferences, social projects and cultural co-ordinates according to which consumption took place.' (*ibid*: 16).

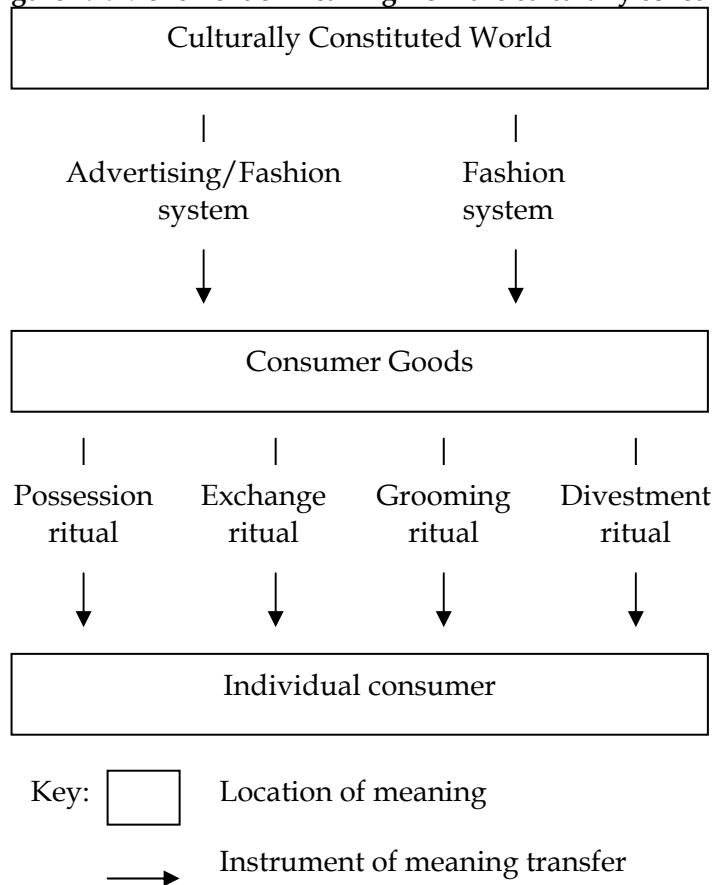
That revolution led to the *consumer society* where possessions and the use of an increasing number and variety of goods are the central cultural aspirations and consumption becomes the road towards personal happiness, social status and national success (Elkins 1991). Thus, in Western societies and Westernised groups in poor countries money and acquisition of goods are desirable activities that reaffirm individuals in their feelings of belonging, which contributes to their contentment (Diener and Biswas-Diener 2002). The cultural approach to consumption claims that the pleasurable feeling provided by commodities does not come solely from their utility but from the gate consumption opens to individuals to participate in their society.

Individuals participate by using goods to communicate social meanings, which in turn contributes to creating and keeping social relationships. Douglas and Isherwood (1978) highlight the role of consumption as facilitator of relatedness since goods and services are used by the creative consumer to communicate things about themselves. They argue against the utilitarian nature of consumption in economics and the display-oriented consumption of sociology. 'Consumption has to be recognised as an integral part of the same social system that accounts for the drive to work, itself part of the social need to relate to other people, and to have mediating materials for relating to them'. (*ibid*.:4). Thus, consumption is instrumental for individuals as it facilitates their relational activities.

People present themselves through their material possessions, which are used to make statements about their values about who they are or who they want to be. 'The kind of statements consumers make are about the kind of universe they are in, affirmatory or defiant, perhaps competitive, but not necessarily so' (*ibid*.: 62). Hence, culture is the provider for the meaning of consumer goods; without it, objects cannot be understood. Furthermore, there are special meaningful goods that their demand almost solely relies on their acquired cultural meaning. Appadurai (1986: 33) maintains that for special goods that are associated to critical social messages, the societal/cultural level has an influence on their demand that surpasses that of the amount supplied or of the level of prices.

But how is this meaning attached to goods? How is the interaction between culture, goods and individual taking place? Which are the agents of the translation of meaning between the different recipients? McCracken (*ibid*.) studies in-depth the creation of meaning in 'modern developed societies' and develops a framework to study how meaning moves from the culturally constituted world to the individual consumer.

Figure 2.1: Movement of meaning from the culturally constituted world to the consumer



Source: McCracken (1990: 72)

Figure 2.1 shows McCracken's framework. It emphasises the structural and dynamic properties of consumption accounting for the role of advertising, the fashion world, and consumption rituals in Western societies. He considers that meaning originally resides in the *culturally constituted world* in which cultural categories (class, gender, status, age and occupation) and cultural principles (characteristics of the categories, 'men are strong and women delicate') are defined. Cultural categories and principles are represented by *goods* and thus become material and distinguishable. As McCracken puts it 'goods substantiate categories and principles and therefore enter into the culturally constituted world as both the object and objectification of this world'. In short, goods are both the creations and the creators of the culturally constituted world' (*ibid.*: 77). In order for meaning to reside in goods it has to be transferred to them and McCracken studies two institutions that facilitate this transfer: *advertising* and the *fashion system*.

He sees advertising as a way to propagate to the consumer the identification of a certain good with the known properties of the culturally constituted world. Consumers look for small meanings that are provided by advertisement. Goods are used to help them construct what is to be a woman or a man, young or old, a parent or a single (McCracken 2005). Advertising is seen under this approach as a contributor to the construction of the self through goods and services. It does so by facilitating the understanding of the meaning implicit in what people consume.

Taken this way advertising is an instrument that informs the consumer about the cultural meaning of goods, as fashion does in a more complex way. The fashion system takes new styles of goods and associates them to existing cultural categories and principles. However, the fashion system also creates new cultural meanings reforming the familiar

categories and principles. It normally does so through agents like 'opinion leaders' (journalists, designers and so on), which become the reference group. Once this has been done, the good becomes a meaningful item.

Lastly, McCracken shifts to the world of goods and studies how the cultural meaning they contain is transferred to the *consumer*. This last transfer of meaning is done through a set of instruments (rituals) like gift exchange¹⁷, possessions (rituals regarding the meaning attached to its ownership), grooming (to highlight the identification of the consumer with the good) and divestment (when a good is emptied of its association with the previous owner). Those rituals are the final step for the consumer to feel identified with the good acquired.

Consumers have been supplied with goods and meanings attached to these goods that help to define themselves; they are constitutive parts of the self and the world. McCracken sees this process as generally having a positive effect on people's wellbeing, although some individuals suffer from mismatches as they seek meaning from unavailable and/or unattainable goods, they rely on goods to supply meaning to their lives, etc. He argues that although these examples show the problems existing in the meaning transfer process they are only exceptions (*ibid.*: 88).

Through cultural approaches consumption has been addressed as an activity whose origins, expressions and outcomes lies within traditions, habits, thoughts, values and beliefs. This relates to the view of culture as a blueprint that provides for the scaffold that supports the construction of the consumption activity. Under the cultural framework individuals do not need to make much effort to make sense of a consumer good, the meanings are provided by a set of instruments that flow from the cultural world to the goods and to the consumer. This approach does not imply that consumers have no 'room for manoeuvre' because they are also an agent attaching meaning and meaningful uses to the objects acquired, but it implies a certain determination, a certain degree of framing in which the individual is trapped in their consumption activities. It also implies some degree of unconscious behaviour since it is unlikely that in everyday circumstances people are aware of the cultural meaning that comes with purchases.

Applied anthropological research focuses on understanding the consumption practices in certain communities or societies. It investigates how people deal with goods, how they make them theirs, how meaning is construed and how different agents participate in that construction¹⁸. However, what makes some goods pre-eminent, what are the different levels of influence and how systemic influences shape consumption is not their main object of analysis. Sociologists have worked on that, portraying a consumer caught in the trap of achieving social differentiation through consumption. The next section summarises their work.

¹⁷ Exchange rituals have always been at the core of anthropological research; gift-giving is one of the examples, followed by barter, trade, betrothal, slavery, dowry, the 'droit the seigneur', human sacrifice, etc. (Jackson 2004: 1).

¹⁸ See for instance the work of McCracken (2005) about modern consumer culture in North America, Wilhite's (2006) work on consumption changes in Kerala (India) and Huber's (2002) work on consumption drifts in the Andes.

2.4 Sociology of consumption: The pressure of social comparison

Anthropologists' 'creative' view of commodities has not been shared by the sociologists of consumption. Power structures and non-conscious subordination of the consumer to the production system with its demands in terms of working time, working and living environment and life-styles together with the reference group and the need to 'keep up' or 'show off' have been shaping a negative view of consumption widely shared by sociologists.

Since Adam Smith (1776), social scientists (including some economist¹⁹) have acknowledged the instrumental role of consumption as a means to achieve or maintain a certain social position. A key initial work was the study of the American upper classes carried out by Thorstein Veblen (1899) at the end of the nineteenth century. In his book *The Theory of the Leisure Class* he described the characteristics and behaviour of the up-and-coming ruling class (the leisure class) paying special attention to their attitude to consumption. He claims that their patterns of consumption are mainly based on the impression goods or services generate on others and not on their practical utility. This dependence on others' judgements is due to the need the emerging rich have to maintain or improve their social position, which they think they will accomplish by being ostentatious with their acquisitions (conspicuous consumption).

Nevertheless, Veblen did not see *conspicuous consumption* as being confined to the upper classes but as an intrinsic characteristic of human beings. He maintained that the lower classes also have the need to escalate in the social sphere and they will imitate the consumption patterns of the rich in order to do so. He also argued that conspicuous consumption would spread with urbanisation and as societies develop.

'Leisure might then be expected gradually to yield ground and tend to obsolescence as the economic development goes forward, and the community increases in size: while the conspicuous consumption of goods should gradually gain in importance, both absolutely and relatively, until it had absorbed all the available product, leaving nothing beyond a bare livelihood.' (Veblen 1899: 91)

At the end of the nineteenth century Veblen foresaw future consumption as being driven by continuous comparisons of the consumer with their reference group once what he considered a 'bare livelihood' had been achieved. Then consumption would become almost fully conspicuous and would depend on habit and social custom. Habit and convention could transform what once were wasteful expenditures in a necessity of life as people would not be able to lead a proper life without the 'new' necessities.

Veblen's work has raised many criticisms mostly related to its vagueness, operationalisation problems, and simplicity in taking the need to impress as a single cause of conspicuous consumption (see Campbell 1995; Elster 1983). However, his contribution is crucial to the analysis of consumption as he highlights the role of habit and social customs in determining consumption patterns. Veblen's stress on comparison as a guiding force of consumption has been picked up by a long line of economists and popularised by Duesenberry (refer to section 2.2.4).

¹⁹ Smith (1776), Veblen (1899), Duesenberry (1967), Galbraith (1987), Liebenstein (1968), Hirsch (1978), Scitovsky (1986), Easterlin (1995), Sen (1977) and Frank (2004) are some of the economists who have accounted for social interaction as a variable affecting consumption choices.

Followers of Veblen have expanded his approach, focussing on the type of goods people use to show off and the consequences of an expansion of their use. Hirsch (1978) in his book *Social Limits to Growth* explains why consumption is likely to stop increasing if it is based on positional goods, those that people buy to maintain or improve their status. Those could range from education, vacation housing and private transport to most personal services.

Hirsch focuses on the characteristics of the demand and the supply of these goods when economies grow. He argues that although they are more demanded the wealthier the society becomes their supply cannot increase too much because if it did they would lose their positional characteristics (i.e. they would not be owned by a minority and thus they would not be a sign of higher status). Hirsch stresses the symbolic meaning of commodities with regard to their relation to consumption by others. He claims that in market economies positional competition moves to a central stage, making the utility of purchases the least appreciated feature.

‘Admittedly, rising national productivity will also add unequivocally to availabilities of other kinds, specifically of material goods. But this increase in material goods will be accompanied by frustration of rising demands for satisfactions dependent on relative position. It may be that the frustration has offset the extra commodities (...) Relative position affects what we get, as well as what we feel.’ Hirsch (1978: 114)

Therefore, Hirsch foresees a limit to economic growth because of the impossibility of satisfying the increased demand of positional goods due to the limited supply that characterises them. However, as *The Economist* (2005) points out in the entry for positional goods, Hirsch’s fear is hardly a possibility as ‘entrepreneurs have come up with ever more ingenious ways for people to buy status, thus helping developed economies to keep growing’²⁰.

Bourdieu (1986) also addressed the social meaning of consumption in his book *Distinction: a Social Critique of the Judgement of Taste*. He argued that consumption, by enabling individuals to maintain their social status, perpetuates the division between the dominant and the dominated. Unlike Veblen and Hirsch he did not see most consumption as becoming conspicuous, but he stressed its symbolic meaning and the fact that taste is socially created through education, the family socialisation process and habituation. Bourdieu underlined the role of habituation as the primary form of classification of goods which is unconscious in nature.

Unconsciousness is also pointed out by Baudrillard (1974) and Schor (1998) when they describe how people adopt specific consumption patterns. Baudrillard explores the origins of consumption and relates them to a system of needs generated by producers. This system embeds a need to differentiate, thus creating groups of consumers sharing the same code and signs that differentiate them from one another. He claims that the dynamics of distinction are unconscious and they need to be investigated to build a theory of the ‘unconscious field of the social logic’ (Baudrillard 1974: 135). Schor undertakes this project when analysing consumerism in the United States. She highlights the risks associated to the selection of a reference group with an extremely high purchasing power, which could result in people getting indebted and suffering financial strain. These risks are potentially harmful if they are originated by an unconscious choice,

²⁰ See <http://www.economist.com/research/Economics/alphabetic.cfm>

i.e. if consumers are not aware of the extent to which social status is driving their consumption.

Schor argues that consumers are in psychological denial about the connections between their purchasing habits and the social statements they make through them and only the part of social comparison related to the fear of professional or social undoing or dropping down is conscious. Socially led consumption is fostered by advertising and media together with the characteristics of the capitalist working life. The latter promotes consumption, as stress, monotony and long working hours trigger the need for compensation, which is usually materialised through consumption²¹. Thus, when identifying the variables that have a greater impact on consumers, Schor highlights the importance of interaction with others, the purposeful action of marketers, the built environment and the time-consuming and highly stressful jobs that create dissatisfaction.

2.5 The pleasure of buying

Scitovsky (1986), Campbell (1995, 1998a, 1998b) and Bauman (2001), among others, have investigated another force that impels consumption and is accountable for its dynamics in Western societies: the individual's natural search for pleasurable experiences.

Scitovsky, in his attempt to introduce psychologists' behavioural approaches into the consumer theory of economics, claimed that the search for pleasurable experiences (in terms of arousal) were at the root of most expenditure. He argued that in Western societies the advance of consumption did not lie in the search for satisfaction of unmet needs or desires. The latter, although still relevant, were not stronger than the urge to have new experiences. As he posited 'the consumer is a quite willing victim and his demand for frivolity, novelty, or stimulus satisfaction is no less urgent and no less legitimate than is his demand for automobile transportation' (*ibid.*: 18).

Scitovsky maintained that consumption was an 'action coming from the seek of stimulation due to too low arousal and too little stimulation' that was increasingly featuring in wealthy societies with a comprehensive welfare state (*ibid.*:18) during the sixties and beginning of the seventies. Those societies would be characterised by high physical safety and economic security that would led people turn to activities that can provide excitement, most of them found and offered by the market like dangerous sports and games, gambling and do it yourself activities²².

Colin Campbell (1998b) also claimed that purchases are not triggered by the search for satisfying needs or utility neither by any relational end. He argued that a plausible theory of consumerism had to approach this activity as an aspect of modern hedonism. The latter is defined by Campbell as pleasurable stimulations derived from good or bad emotions. He claimed that even negative emotions can provide pleasure as long as the individual is able to control or regulate them. He posits (*ibid.*: 145) 'for instance, to the extent that

²¹ Schor (1998: 18) also talks about defensive consumption, which appears to be tightly related to the characteristics of current jobs as they foster the need to compensate for the strain by acquiring for instance 'stress-busting weekends and restaurant meals to keep up with daily life'.

²² Scitovsky also mentions violence and crime as activities that arise because of the lack of excitement of the modern life. Those are not always related to the market although the increased use of communication technologies and purchase of weapons can well be associated with that.

people can convince themselves that they have been harshly treated by life and do not deserve their bad luck, they will be able to enjoy the 'pleasure' of self-pity'.

Regarding consumption, Campbell maintains that pleasurable feelings are not only experienced when people consume but also beforehand in what he calls 'anticipatory consumption' (*ibid.*: 150). This is related to the fact that pleasurable attributes are foreseen before the actual purchase which impels individuals to look constantly for new products and their promise of future hedonic rewards. Individuals search for pleasurable emotions daydreaming about the kind of life they want take pleasure in it and feel the urge to acquire new goods to feed this intrinsic need.

Unlike Scitovsky, Campbell argues that people desire new experiences *per se*. However, those are not totally independent from the active action of producers. Campbell acknowledges the role of technological innovation and planned obsolescence of goods and services in increasing the dynamism of consumption but he still argues that it is the individuals' search for pleasure that is at the core of the consumer demand.

'This theory of consumerism is inner-directed. It does not presume that consumption behaviour is either guided by, or oriented to, the actions of others. In that sense, it breaks with the long-standing sociological tradition that presents consumption as an essentially social practice. On the other hand, this theory does not present consumption as driven by material considerations. The idea that contemporary consumers have a magpie-like desire to acquire as many material objects as possible (the acquisitive society thesis) represents a serious misunderstanding of the basic motivational structure that leads consumers to want goods (...) the true focus of desire is less the object itself than the experience the consumer anticipates possessing it will bring.' (Campbell 1998a: 147).

Two decades after Scitovsky's work and unlike him, Bauman (*op. cit.*) argued that the need to find assurance in a rapidly shifting world explained why people succumb to desire-led consumption. He claimed that the characteristics of a changing world with its insecurities and temporalities (marriage, family relationships, job contracts, skills, material possessions) lead consumers to focus on immediate and peremptory pleasures.

Producers make the most of people's insecurities and offer a process of consumption that does not exhaust desire but does not lead to frustration either. Consumers try to respond in a rational way that is somehow irrational since falling into the trap of desire and continuous search for pleasures is the most rational strategy. The result of the interplay between consumers and producers is that 'there is a nearly "perfect fit" between the characteristics of commodities the consumer market offers, the fashion in which it offers them and the kind of anxieties and expectations which prompt individuals to live their lives as a string of shopping expeditions' (Bauman 2001: 24). Consumers in Western societies have thus achieved stability by continuously succumbing to hedonism.

2.6 Materialism: Societal and personality trait

The centrality of material possessions in current societies and for certain individuals has triggered a significant amount of research in the social sciences. Belk (1985: 291) defines materialism through 'the importance a consumer attaches to worldly possessions. At the highest levels of materialism such possessions assume a central place in a person's life and are believed to provide the greatest sources of satisfaction and dissatisfaction'. At the societal and cultural level materialism has been taken as a structural variable in order to compare cultures or institutions (Inglehart 1990; 1997). At the individual's level

materialism has been identified with personal values (Richins and Dawson 1992) or individuals' personality traits (Belk 1985).

Inglehart (1990) defined *materialism* through the level of economic security attained in a society. He related his definition to the work of Maslow (1970) on the hierarchy of human needs, associating materialist (economic and physical security) and post-materialist needs (belonging, self-expression and intellectual and aesthetic satisfaction) to social goals²³. He identified materialist societies with the ones that focus on Maslow's lower order needs such as sustenance and safety and post-materialist societies as the ones stressing the satisfaction of higher order needs like self-expression, belonging, aesthetic satisfaction, and quality of life even if this implied less financial wealth (Inglehart 1990: 66-68).

Inglehart's contribution is especially relevant when it comes to the origins of materialism which he associates with people's formative experiences of deprivation.

'When people grow up in economically deprived environments they internalise a subjective sense of economic insecurity. When they become adults this sense of economic security stays with them and leads them to place a high value on material success (i.e. become materialists). Conversely, people who grow up with a subjective sense of economic security develop the lasting assumption that money is not something one needs to worry much about. As adults this translates into a 'postmaterialistic' orientation in which they feel free to pursue self-actualization even at the expense of material achievement.' Ahuvia and Wong (2002: 391)

Inglehart (1997) takes into account that preadult experiences of deprivation could be subjective and they are not directly related to the family's level of income. He links those feelings to the degree of security experienced by people during their childhood that leaves an imprint on people's perceptions and makes them aim for stability which is reflected by macroeconomic goals of low inflation and continuous growth. His analysis of data on values from more than 40 countries shows, as expected, that poorer societies rank higher in materialist values than richer societies. He also claims that as societies develop and inflation and underemployment reduces, post-materialist values become widespread since younger people start having stable and prosperous youths.

Inglehart's work seems at odds with the fact that post-materialist societies show the highest level of consumption per capita. Jackson and Marks' (1999) work on UK consumption patterns maintain that in the UK, which can be taken as an example of Inglehart's post-materialist society, 'post-materialist attitudes are not yet being translated into post-material consumption patterns' (*ibid.*: 439). However, the materialistic/post-materialistic divide, although it might not contribute to understanding why post-materialist people continue consuming, offers insights about what people choose to consume. His approach suggests that in materialist societies goods and services to satisfy nutrition, health and basic education (if this was thought to guarantee future and stable jobs) would be prioritised whereas in post-materialist societies services related to leisure,

²³ Regarding materialist values Inglehart (1997) associates physical security needs to 'maintain order', fight crime and strong defence forces and economic security needs to 'fight rising prices', 'economic growth' and stable economy. Post-materialist values are connected to belonging (less impersonal society), self-expression (freedom of speech, more say in government, more say on the job), intellectual and aesthetic satisfaction (more beautiful cities, ideas count).

information and communication technologies, and higher and artistic education would have precedence.

As Inglehart pointed out, materialist values are not held by all members of a culture. Richins and Dawson (1992) argue that in order to understand how *materialist values* are created and how external agents like marketers affect them it is useful to examine individual differences in materialism. Drawing from previous theoretical and popular knowledge they have developed a materialism scale based on three domains: acquisition centrality, acquisition as the pursuit of happiness and possession-defined success. Their findings showed that people with higher materialistic values wanted higher incomes, value more financial security, they are more self-centred and less satisfied with their circumstances than people with lower materialistic values²⁴. They also showed how people high in materialism would spend more money on buying things they want or need and paying off debts than non-materialists. The latter would spend more money on travel, giving to friends and relatives and to church organisations or charities.

Moving beyond societal and personal values, Belk (1985) investigated *materialism as a personality trait* that, like values, is not shared by everyone in the society. Belk described materialism as a characteristic of individuals' personality associated with possessiveness, envy and non-generosity. Those personality features might themselves impel individuals to spend. People who would rather buy something than borrow it, do not give to others but spend on themselves and crave for others' possessions might be spending more than non-possessive, non-envious and generous people. Reinforcing materialist traits is a direct way to induce consumption and as Belk points out, this is well-known by marketers who have been increasingly using luxury and pleasure appeals in their campaigns (Belk and Pollay 1985). Thus materialist personalities would consume more and hold onto their possessions whilst being more permeable to marketing strategies and advertising than post-materialists.

In an attempt to reconcile different theories of materialism, Ahuvia and Wong (2002) engaged on an analysis of the relationships between social materialism and psychological materialism. They took felt formative deprivation and formative socialisation²⁵ as antecedents of materialist measures. They found out that felt formative deprivation was significantly related to having a materialist personality but it was not significant in the formation of values. The latter were more influenced by the type of messages that individuals had received from important others (family, school and peer group²⁶) which were also affecting people's personality.

²⁴ 'A number of authors have suggested that materialism and the pursuit of possessions is not the cause but the result of dissatisfaction, that the desire to possess and consume stems from insecurities or deeper dissatisfaction with their circumstances than with themselves' (Richins and Dawson 1992: 313).

²⁵ Formative socialisation identifies here the 'social milieu' defined as 'the values internalised through interactions with peer groups, role models, and the media' (Moschis 1987 cited by Ahuvia and Wong 2002: 392).

²⁶ Ahuvia and Wong exclude the mass media in their analysis as they say it does not play a major role in Inglehart's theory.

In short, Ahuvia and Wong's study finds evidence about the origins of individuals' materialism. First, early experiences of deprivation together with materialist values held by relatives and friends are likely to result in materialist personalities. Second, people who hold materialist values and rely on possessions and acquisitions for their wellbeing have been mainly influenced by the messages sent by socialisation agents like families, friends and other relatives during their childhood and not as much by their formative feelings.

To sum up, the approaches presented in this section contribute to the understanding of consumption by exploring the effects and characteristics of societies and individuals centred on material possessions. Consumption patterns will be expected to differ with the level of socio-economic and political development of the countries. People in poor countries will be prone to spending more on economic and physical security and not as much on items related to self-expression, aesthetic satisfaction, and quality of life. Individuals holding materialist values will be purchasing goods that they want or need and will be more indebted than people with post-materialist values. Finally, envious, non-generous and possessive people will be more prone to spending and holding on to their possessions.

2.7 Needs driven consumption: From Maslow to Max-Neef

Satisfaction of some sort of basic needs has traditionally been considered as one of the main reasons for consumption. The concept of needs already appeared in the writings of the early economists such as Adam Smith (1776). However, the complexities of disentangling what is basic and what is not among human drives and the fact that such differentiation implied making normative stances resulted in neoclassical economists reducing human choice to the satisfaction of wants (Marshall 1890).

In psychology, needs have been widely studied as drivers of behaviour. Motivation theories based on needs have evolved from the first focus on biology to the most complex world of social-cognitive motivations (Pincus 2004; West 2006). Biological needs based explanations of behaviour rely on the concept of homeostasis, which concerns the reactions of organisms when their internal balance is disrupted. This has inspired many behavioural theories (Hull 1943; Woodworth 1958)²⁷. However, those theories could not account for human motivations apart from the ones that originate in the body and higher-order theories emerged drawing from the characteristics of social relations²⁸.

Following the latter approach Maslow (1970) set up a theory of needs based on a natural hierarchy where *physiological needs* (hunger, thirst, safety) were at the base of the pyramid and *self-actualisation needs* (the need to live up to one's unique potential) at the top²⁹. Drawing on clinical experience he posited that when physiological needs are unsatisfied the organism is dominated by them and other needs become secondary or even non-existent (*ibid.*: 37). Thus, the emergence of higher needs appears to be subordinated to a

²⁷ For a review of the lower and higher theories of motivation see Pincus (2004).

²⁸ See Murray (1938).

²⁹ Maslow theory of motivation places at the starting point physiological needs, then safety needs, belongingness and love needs, esteem needs, and at the top of the hierarchy self-actualisation needs.

certain level of gratification of physiological needs and *safety needs* (security, stability dependency, protection, freedom from fear etc.).

Basic needs as drives for action are not always conscious although Maslow claims that the right techniques might be able to raise those needs to the conscious level. Moreover, he acknowledges that behaviour is not determined by a single basic need as he claims that 'most behaviour is over-determined or multi-motivated (...) eating might be partially for the sake of filling the stomach, and partially for the sake of comfort and amelioration of other needs' (1970: 55). The fact that behaviour is usually motivated by some or all the basic needs at the same time does not work against his hierarchical approach since he claims that in theory one could analyse individual behaviour and disentangle the percentage of it that is expression of the different sets of needs.

Maslow's approach has many consequences in terms of deriving patterns of consumption that following his theory would arise gradually, from goods and services satisfying lower needs to services and experiences gratifying higher needs. Despite being widely used as a reference point for any theorisation about needs driven behaviour, Maslow's theory has been also widely criticised. There is available empirical evidence suggesting that individuals often place personal development (or higher needs) before material wealth (or lower needs) (Pincus 2004). It has also been pointed out that Maslow's hierarchy of needs seems to justify interventions prioritising poor people's lower needs satisfaction whilst power is transferred to those driven by higher needs³⁰. Moreover, his approach is said to understate the importance of natural, economic, social, cultural and political structures in shaping behaviour as society, culture and the natural environment are seen as 'secondary in importance to individual motivation' (*Ibid.*:9).

Other scholars addressing needs based behaviour have included in their typologies the fact that needs have a social-environmental dimension (Galtung 1980 and Mallman 1980 in Jackson *et al.* 2004). Hamilton (2003) goes beyond that approach, claiming that needs have not only a social dimension but are transformed, changed and generated by people's interaction within societies and cultures. Hamilton (2003) does not relate felt needs to organismic reactions but to the claims people make about them being perceived as needs. Hamilton's approach is especially interesting for the study of consumption since it takes into account what people report as felt needs and thus broadens the analysis to incorporate the effect of history and culture. He conceptualises needs as drives, goals and the necessary elements of human functioning. Hence, Hamilton gives basic human needs a positive and normative dimension simultaneously.

He distinguishes between *vital needs* which are directly associated to people's health (food, shelter, rest, exercise, social entertainment, etc.), *social needs* which are the aim of public policies and matter of private concern (efficient train service, TV set, a car, etc.) and *agency needs* that are linked to political objectives (autonomy, inter-subjective recognition, active and creative expression, etc.). Individuals should be able to meet their vital needs and be provided with opportunity to meet their particular social and agency needs in order to be fully functioning. Finally, Hamilton distinguishes between needs and wants. The latter motivate people but are not normatively linked to human functioning as basic needs are.

³⁰ Pincus (2004: 379) claims that 'Maslow's hierarchy of needs can be used to differentiate and classify individuals or groups of individuals, communities or entire societies according to their primary unmet needs at any point in time'

2.7.1 Max-Neef's taxonomy of human needs: The importance of satisfiers

Drawing on Maslow's hierarchy of needs but incorporating some of the criticisms raised, Max-Neef (1989, 1991) formulates a *taxonomy of needs* with the objective of providing a framework for the analysis of human development. Like Maslow, he takes needs as originators of action; they engage, motivate and mobilize people (Max-Neef 1991: 24). His theory does not expand on the psychological evidence underlying the categories of needs but on their instrumentality for human development. He constructs his typology based on the following premises (*ibid.*: 31):

- The list of needs must be easy to understand and for people to identify with;
- It must include all the fundamental needs but it has to be limited and clearly labelled;
- Satisfiers must be clearly related to targeted needs;
- The classification must facilitate the identification of satisfiers that do not contribute to needs actualisation;
- The classification must be useful for the design of alternative satisfiers.

The taxonomy of needs that he generates is based on axiological categories: subsistence, protection, affection, understanding, participation, idleness, creation, identity and freedom. Crossing the axiological categories with the existential categories of Being, Having, Doing and Interacting he identifies different *human needs satisfiers*. Those are social practices, forms of organisation and political models somehow related to consumption goods and services. Table 2.2 summarises Max-Neef's approach highlighting the possible array of satisfiers that might arise from the intersection of axiological and existential categories of needs.

Table 2.2: Max-Neef's taxonomy of needs

	Being	Having	Doing	Interacting
Freedom	Autonomy, self-esteem, determination, passion, assertiveness, open-mindedness, boldness, rebelliousness, tolerance	Equal rights	Dissent, choose, be different from, run risks, develop awareness, commit oneself, disobey	Temporal/spatial plasticity

Source: Max-Neef (1989: 33)

Max-Neef's approach has been applied to several countries in an attempt to identify deprivations and potentialities, propose satisfiers to meet community needs and assess their positive and negative effects. Unlike other theories of needs, he did not propose a closed categorisation and claimed that his theory was not of a normative character. He developed it with the aim of offering a tool for practitioners to identify satisfiers, which vary among cultures and historical moments, in any given society or community. Satisfiers would usually be related to the goods and services available in the society. Those together with economic systems influence the efficiency of satisfiers in realising needs. As Max-Neef (1991: 25) puts it 'while a satisfier is in an ultimate sense the way in which a need is expressed, goods are in a strict sense the means by which individuals will empower the satisfiers to meet their needs'.

For instance the *Having of Protection* is identified with satisfiers such as insurance systems, savings, social security, health systems, rights, family and work (refer to Table 2.2), some of which, like family are not directly related to specific economic goods or services. This does not mean that they are not mediated by them as in some cultures or for some people family cohesion might depend on presents, gifts and/or donations. As Max-Neef shows (1991: 31) 'such satisfiers as investigating, studying, experimenting, educating, analysing, meditation and interpreting give rise to economic goods, depending on the culture and the resources, such as books, laboratory instruments, tools, computers and other artefacts'.

Moreover, the effect of goods and services on satisfiers varies among societies and across time. This is a central argument in Max-Neef's theory as he claims that consumer goods subject to the forces of marketers and social differentiation are not always successful in contributing to human needs. Max-Neef identified five types of satisfiers: *synergic satisfiers*, *singular satisfiers*, *inhibiting satisfiers*, *pseudo-satisfiers*, *violators or destroyers*. The last three are the most potentially harmful because if they are increasingly consumed they might impede development and jeopardize wellbeing.

Table 2.3: Max-Neef's classification of satisfiers

Synergic satisfiers	Satisfy simultaneously different kinds of needs.
Violators or destroyers	Annihilate the satisfaction over time of the need they aim at and they impair the satisfaction of other needs (all the ones related to protection, like censorship, exile ...).

Source: Max-Neef (1991)

Following Max-Neef's approach, Jackson and Marks (1999) found that economic growth in the UK was increasingly related to the consumption of pseudo-satisfiers. Their study of

³¹ Max-Neef and colleagues (1989) argue that commercial television is a inhibiting satisfier since it satisfies the need for leisure but it impairs the satisfaction of the need for understanding, creation and identity.

patterns of consumption in the UK between 1954 and 1994 unveiled that non-material needs were generating a growing amount of expenditure on material goods but that they were not increasingly realised. For instance, people were buying durables at a growing rate (increase of expenditure of 3,500% over the period of study) but the needs associated to those purchases (recreation and entertainment) were progressively more unsatisfied. The authors concluded that UK patterns of consumption presented a threat to human wellbeing because individuals were trying to satisfy non-material needs through material goods that were behaving as satisfiers of the harmful type (inhibiting, pseudo-satisfiers or violators).

Neither Max-Neef's taxonomy nor the satisfiers identified were aiming at providing a universal theory of needs. The openness of his approach and its practitioner-related focus makes it an operational 'tool for development' where the focus of the analysis shifts from the drives that generate people consumption to the satisfiers available for them. Whether his taxonomy of human needs collects all human drives should be left to empirical validation. However, his classification paves the way for an analysis of consumption that goes beyond utility maximisation, cultural determination, social pressures and hedonism. By identifying types of satisfiers that work against people's initial drives or consumption goals, he provides a framework for a normative approach to consumption. This framework cannot be finalised without the explicit consent of the communities under scrutiny, which is why the author does not claim universalism³².

2.8 Conclusions

This chapter has summarised some of the approaches to consumption that have dominated social disciplines. Traditional economists' approach to consumption based on the assumptions of consumer sovereignty, rational behaviour, insatiability and exogenous preferences have been extensively challenged from inside the discipline and by other social scientists as not corresponding to the reality of everyday consumption practices.

The debate on preferences has monopolised most of the discussion against neoclassical assumptions since people are reportedly found to adapt to a diverse array of circumstances, from positive and empowering to negative and detrimental. This implies that people react to external influences and their preferences and attitudes towards consumption, among other things, might shift as external circumstances change. Moreover, that people adapt to what is available to them implies that maximisation of the economic sort might not be occurring and habituation, social comparison and customs might be more important drives of consumption.

Social sciences other than economics have highlighted the role of goods communicating meaning and facilitating people's identification with their own society. Agents transferring meaning have also been accounted for as well as how this is used to differentiate from others in the society. Individuals' search for excitement in material goods and the values and personalities attached to materialism provide explanations of consumption linked to people's characteristics. Those have been supplemented by studies

³² Universal and normative approaches to wellbeing based on human needs will be addressed in the next chapter.

on physiological and social needs claiming that people are motivated by satisfaction of basic needs in their consumption decisions.

Finally, this chapter, by presenting the approaches to consumption of different social sciences has set the theoretical framework from which the empirical study of motives for consumption will build on. Pursuing one's self-interest, wanting social recognition, building one's identity, seeking enjoyment, valuing material things and meeting one's unsatisfied needs are all motives that could arise in an empirical analysis of consumption and wellbeing. Moreover, this chapter has shown the relevance of accounting for different types of goods like positional goods and human needs satisfiers. Since the type of goods consumed matters, their effect on wellbeing will also have to be taken into account.

3 Consumption and theories of wellbeing: Subjective and objective approaches

3.1 Introduction

As Gasper (2004: 13) posits 'the concept of wellbeing indicates an evaluation of a person's situation, or more fittingly, an evaluation which is focussed on the quality of the persons 'being''. There are two main approaches to the evaluation of one person's life. The first is based on individuals' reports of what makes their lives good. The second is usually supported by a list of requirements that people should have satisfied in order to lead a proper, self-actualised or good life. Those two different perspectives are usually labelled subjective and objective wellbeing approaches (SWB and OWB hereafter).

The superiority of either of the two approaches in defining wellbeing is an ongoing debate well beyond the scope of this research. Adaptation and framing effects are some of the arguments against relying only on SWB measures whilst objectivism (not accounting for what people feel under different objective circumstances) and paternalism (the assessment of a person's wellbeing by external experts) are the usual arguments against OWB approaches. The goal of this thesis is to capture a comprehensive picture of the effects of consumption on people's wellbeing; thus, both angles are going to be explored.

The first part of this chapter presents the 'hedonic' psychology school take on wellbeing which is based on the assessment of people's experiences and feelings. Drawing on their approach, some economists inspired by the early works of Richard Easterlin in the mid seventies have developed what has been called 'the economics of happiness'. Their work has mainly focussed on the study of the effect of economic variables on SWB; mostly wealth, income or consumption, which are often used interchangeably.

Subsequently, a different approach to wellbeing based on objective indicators is presented. The 'eudaimonic' tradition within psychology is reviewed focussing on Ryan and Deci's (2000) Self-Determination Theory claiming that there are basic psychological needs that ought to be satisfied for people to feel self-motivated and contentment. Then, the Theory of Human Need (Doyal and Gough 1991), an ethical approach to basic needs that defines social-cultural-ethical and psychological prerequisites for social participation is also reviewed. Both offer insights for the study of consumption from a broad objective perspective and complement approaches relying solely on people's perceptions.

3.2 Subjective wellbeing

The subjective wellbeing literature relies on people's perceptions of their life circumstances and mental states. Psychologists have developed different techniques to measure people's subjective wellbeing and have investigated its correlates with demographic, personality and socio-economic variables. Economists have adopted and simplified in global single measures the generally complex constructs of psychologists. Their analysis has usually focussed on the study of the effect of socio-economic variables on SWB, mainly income.

3.2.1 The hedonic tradition: Positive psychology and the economics of happiness

The hedonic tradition³³ in psychology approaches wellbeing as 'people's multidimensional evaluation of their lives, including cognitive judgments of life

³³ The hedonic tradition originates in the positive psychology of Seligman who claimed that positive emotions do not derive from negative emotions but they are independent and 'worthy of attention in their own right' (Angner 2005: 25).

satisfaction as well as affective evaluations of moods and emotions' (Eid and Diener 2004: 65). This school takes SWB as an 'umbrella' term referring to 'life satisfaction and satisfaction with life domains such as marriage, work, income, housing and leisure; feeling positive affect (pleasant emotions and moods) most of the time; experiencing infrequent feelings of negative affect (such as depression, stress and anger); and judging one's life to be fulfilling and meaningful' (Diener 2002: 2).

Drawing on the hedonic tradition in psychology, some economists have detached themselves from the neoclassical reliance on the revealed preferences axiom and recently started to draw on people's appraisals for their assessment of wellbeing. Frey and Stutzer (2002b) justify this theoretical and empirical shift on the grounds that it offers a much richer and direct report of people's wellbeing than the one derived from the revealed preferences approach.

'The subjective approach to utility offers a fruitful *complementary* path to study the world. Firstly, subjective wellbeing is a much broader concept than decision utility: it includes experienced utility as well as procedural utility, and is for many people an ultimate goal. That is not the case for other things we may want, such as job security, status power, and especially money (income). We do not want them for themselves but rather to give us the possibility of making ourselves happier. Secondly, the concept of subjective happiness allows us to capture human wellbeing directly. This creates a basis for explicitly testing fundamental assumptions and propositions in economic theory.' Frey and Stutzer (2002b: 405)

In order to capture SWB, researchers usually rely on questions about happiness or life satisfaction, self-reported adequacy of life domains and/or frequency of good and bad feelings. All those aspects are usually taken as independent constructs but show to be significantly correlated. This indicates that they are all collecting different aspects of the 'umbrella' term that is SWB (Diener *et al.* 1999).

Psychologists have commonly used measures such as the *Positive And Negative Affect Scale* (PANAS) (Watson *et al.* 1988) and the *Satisfaction With Life Scale* (SWLS) (Diener *et al.* 1985). The PANAS captures negative and positive affect separately. Each category is measured through ten words that describe different feelings and emotions that people might feel at the time of the interview or previous to the survey³⁴. The PANAS usually asks people to identify the extent to which any of the ten mood types has been felt through a five point scale (from 'very slightly' or 'not at all' to 'extremely') (Houghton 2006).

The SWLS captures cognitive evaluations of life satisfaction and forms a separate factor from the negative and positive affect although it is usually significantly correlated. It consists of five items that compare one's life to the ideal, analyse the conditions of one's life and achievements and people's satisfaction with them³⁵. The scale goes from 1 to 7

³⁴ It usually asks people about their feelings at the moment of the interview, the same day of the interview, during the past few days, the week before the interview, the past few weeks, the past year and in general. The twenty items describing the mood types are: interested, distressed, excited, upset, strong, guilty, scared, hostile, enthusiastic, proud, irritable, alert, ashamed, inspired, nervous, determined, attentive, jittery, active and afraid.

³⁵ The five items are: 'In most ways my life is close to my ideal', 'the conditions of my life are excellent', 'I am satisfied with my life', 'so far I have gotten the important things I want in life', 'if I could live my life over, I would change almost nothing' (Diener *et al.* 1985: 72).

from 'strongly disagree' to 'strongly agree' representing the level of agreement of the respondent with the statements defining each of the five items. In general, there are moderately strong correlations between the PANAS and the SWLS. These are usually higher with the positive affect scale (0.50) than with the negative affect scale (-0.37) (Diener *et al.* 1985).

Global measures such as the PANAS and the SWLS have offered the possibility to work with larger and more representative samples than the ones based on university students traditionally used by psychologists. However, they present some limitations since past and present circumstances together with factors such as the weather and the type of life event happening at the time of the survey influence people's accounts (Strack *et al.* 1999 cited in Diener and Biswas-Diener 2002: 156). This implies that most cross-sectional surveys carry with them substantial random errors which can only be corrected by using additional measurement methods like experience sampling³⁶. The latter is difficult to implement in large samples and Kahneman and colleagues (2004) suggests using a Daily Reconstruction Method (DRM) based on daily retrospective reports on people's emotional states. These reports would record not only the types of episodes and associated emotions but also their duration.

Despite their drawbacks, global measures of SWB are widely used in the social sciences. This is specially the case in economics where the methodology of analysis (usually regression analysis) requires large data sets including the many independent variables which are thought to influence SWB. In long surveys global measures are simplified to one simple question which is usually of the following sort (Hirata 2002: 25):

- How satisfied are you with your life as a whole these days? (answer on a 7 point scale from 'completely satisfied to completely dissatisfied') (Adrews and Withey 1976)
- Taking all things together, would you say you are – very happy, quite happy, not very happy, not at all happy? (Inglehart 1997)
- On the whole are you very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the life you lead (Eurobarometer survey)

Simple summary or single-item measures present the same limitations as global measures. However their high transparency and interpretability makes them suitable for the purpose of economic research on SWB determinants (Frey and Stutzer 2002a: 28). Moreover, these type of questions are generally negatively correlated with the frequency people worry (-0.25), negative affect (-0.31) and positively with positive affect (0.30),³⁷ which supports the claim they are validly collecting some aspects of SWB³⁸. Furthermore, correlations between two answers to single-item questions given in the same

³⁶ 'In the experience sampling method the researchers obtain mood and satisfaction reports from respondents at random times in everyday life, often for a period of one or two weeks' (Diener and Biswas-Diener 2002: 156).

³⁷ All those correlations are significant at $p < 0.05$ (Hirata 2001)

³⁸ Single-item questions on happiness and satisfaction are both included in the psychologists' constructs but whilst happiness is a component of the positive affect scale, life satisfaction is an item of the SWLS which had been associated to a more cognitive evaluation of SWB. Despite this fact, both measures appear to be relatively highly correlated between themselves and have been traditionally used interchangeably (Hirata *ibid.*).

questionnaire are usually high thus supporting the reliability of the global questions (Withey 1976).

Methods of analysis and research focus differ between psychologists and economists. On the one hand, psychologists rely on correlation analysis and structural equation modelling looking for paths of causation (Batista and Coenders 2000). Their research focuses on understanding the factors that integrate people's wellbeing, their relative importance and the methods of inquiry. *Happiness economists*, on the other hand focus largely on the effect of socio-economic variables on SWB in order to test fundamental assumptions in economic theory (Frey and Stutzer 2002a). Those, like the effect of income, inflation, unemployment, etc. on happiness have been usually tested through regression analysis, estimating microeconomic happiness functions like the following:

$$W_{it} = \alpha + \beta X_{it} + \varepsilon_{it}$$

Where $X = x_1, x_2, \dots, x_n$ are the socio-economic and demographic characteristics of each individual i at the time t . The error term ε captures unobserved characteristics such as personality traits and errors of measurement (Frei and Stutzer 2002b: 406).

Depending on the nature of data (panel data, longitudinal, cross-section) and the nature of the dependent variable (cardinal or ordinal) the type of regression analysis will vary³⁹. Ordinary Least Squares (OLS) models are suitable when the dependent variable is cardinal, which implies 'that the difference in happiness between a 4 and a 5 for any individual is the same as between an 8 and a 9 for any other individual' (Ferrer-i-Carbonell and Frijters 2004: 641). When measures of SWB are assumed to be only ordinally comparable (which implies that differences between scores might be perceived differently but individuals interpret the answers in a similar way) the method of analysis used will be an Ordered Probit or an Ordered Logit depending on the assumption about the error term. These technical issues will be taken up in Chapter 6 at some length, but for the time being it is just enough to note the type of analytical approach that economists use to infer relationships between economic factors and SWB.

3.2.2 SWB and consumption

Empirical work on socio-economic determinants of wellbeing has engaged scholars from economics, psychology and sociology. Income has been one of the factors most extensively researched and together with age, sex, race, health education and marital status is reported to account for 8%-20% of the variance in SWB. *It is worth noting that research on the effect of 'income', 'wealth' and 'expenditure' has usually extrapolated their results to represent the effects of consumption.* Thus, these variables have often been used interchangeably although they reflect different aspects of people's economic level.

³⁹Refer to Ferrer-i-Carbonell and Frijters (2004) and Van Praag and Ferrer-i-Carbonell (2004) for a thorough methodological analysis of the economists' approach to the study of SWB determinants.

Easterlin's paradox

Research on income and SWB has proliferated since Richard Easterlin's (1974) work in the mid seventies. Drawing on Cantril's (1965) world survey and Gallup polls⁴⁰, he compared happiness data and wealth for 23 countries reaching an apparently striking conclusion that regarding income, relative position is all that matters to happiness. His findings have usually been summarised as follows:

- Differences in happiness between poor and rich countries are small and do not show a consistent pattern.
- Despite the economic growth experienced by the US from 1945 to 1970 national average happiness remained constant suggesting that economic growth does not add to people's happiness.
- Within countries richer people are significantly happier than poorer ones.

Easterlin's results were considered a paradox since they were against the traditional beliefs of orthodox economists associating growth and wealth with higher wellbeing. He argued that the power of social comparison overrides the power of an increase of income. When countries grow, living standards also grow and people end up in the same relative situation they started from; thus, they do not feel better off and their contentment remains the same. Easterlin followed the same reasoning when he explained the results from the within-countries study. He argued that rich people derive satisfaction from having a higher status and wealth compared to their fellow citizens. His argument is as follows: 'as far as material things are concerned, one's satisfaction with life depends not simply on one's objective condition but also on a comparison between one's objective condition and a *subjective or internalised living level norm* and this norm is significantly affected by the average living level of the people around us' (Easterlin 2004: 32). This also explains why countries with different average income did not show significant differences in terms of SWB.

Easterlin's stress on social comparison to explain the paradox of growth and wellbeing, links to the discussion about status driven consumption already tackled by Veblen (conspicuous consumption), Duesenberry (relative consumption), Hirsch (positional goods) and Schor (social statements), which was discussed in Chapter 2. Easterlin complements the above theoretical approaches with empirical research and shows the negative effects that social comparison has on people's contentment. This supports the criticisms of heterodox economists and social scientists in general to the narrow rational behaviour and exogenous preference assumptions of the neoclassical approach reviewed in Chapter 2.

Despite the popularity of Easterlin's work his three key findings have been widely contested. His first claim about small and inconsistent relations between poor and rich countries has not been supported by subsequent research. Veenhoven (1989) maintains that Easterlin's findings are due to the different scale used to measure the two variables and the fact that outliers were excluded from the analysis. Using Easterlin's data he shows that there is a curvilinear relationship between income and SWB between countries and that 'wealth is subject to a law of diminishing returns' (*ibid.*: 4). Likewise, Diener and collaborators (Diener *et al.* 1993 and Diener 1995 cited by Diener *et al.* 1999: 288) found that

⁴⁰ Cantril undertook a survey in fourteen countries with different economic regimes and levels of development. Easterlin supplemented Cantril's data with information on global happiness from nine countries surveyed by Gallup International (Easterlin 2004; Veenhoven 1989).

the Gross National Product of 39 nations correlated 0.50 with life satisfaction supporting the existence of a significant association between wealth and SWB between countries. However, it should be noted that these studies usually exclude other factors that usually go together with national wealth like democracy, security and equity and are believed to play an important moderating role.

Easterlin's second claim concerning the lack of relationship between economic growth and subjective wellbeing does not seem to apply to most countries. In 1989 Veenhoven replicated Easterlin's work and found that whereas happiness in the US had not increased with economic growth from 1945 to 1970, it did in Western Europe between 1948 and 1975 and in Brazil from 1960 to 1975. Later a study by Hagerty and Veenhoven (2003) on income and SWB trends in 21 countries during the period 1958-1996 reached similar conclusions. Within their sample of high, medium and low income countries, seven showed a significant positive correlation coefficient of income growth, which was on average higher for the poorer countries.

Other studies such as Diener and colleagues' (1999) and Diener and Oishi (2000) partially supported Easterlin's claims. The former's longitudinal analysis of France, Japan and the United States from 1946 to 1990 found no relationship between the rise of disposable income and each country's average SWB. SWB levels remained stable in a period where the three countries had experienced economic growth. Correspondingly, Diener and Oishi established that the same had happened in nine of the European countries in their sample but not in poorer nations with high growth. The latter had experienced a clear increase in SWB. Thus, although evidence seems inconclusive regarding the effect of economic growth on rich countries, it seems to support its beneficial effects on SWB in the developing world.

Moreover, contrary to Easterlin's third claim that within countries rich people are always happier than poorer ones, recent empirical work shows that in developed countries this relationship tends to be weak. Correlations between income and SWB are only moderately high at the lower economic levels and in the poorest countries (Veenhoven 1991; Diener *et. al.* 1999; Diener and Lucas 2000; Diener and Biswas-Diener 2002; Biswas-Diener and Diener 2006). Argyle (1999: 358) argued that the reason why the relationship is stronger for poor people is straightforward: he claims money makes a great 'difference in people's quality of life when it is spent of food, housing and other necessities' whilst it does not make such a difference for rich people. However, this is not always the case and the last part of this section will describe in more detail empirical work undertaking cross-sectional within-country studies.

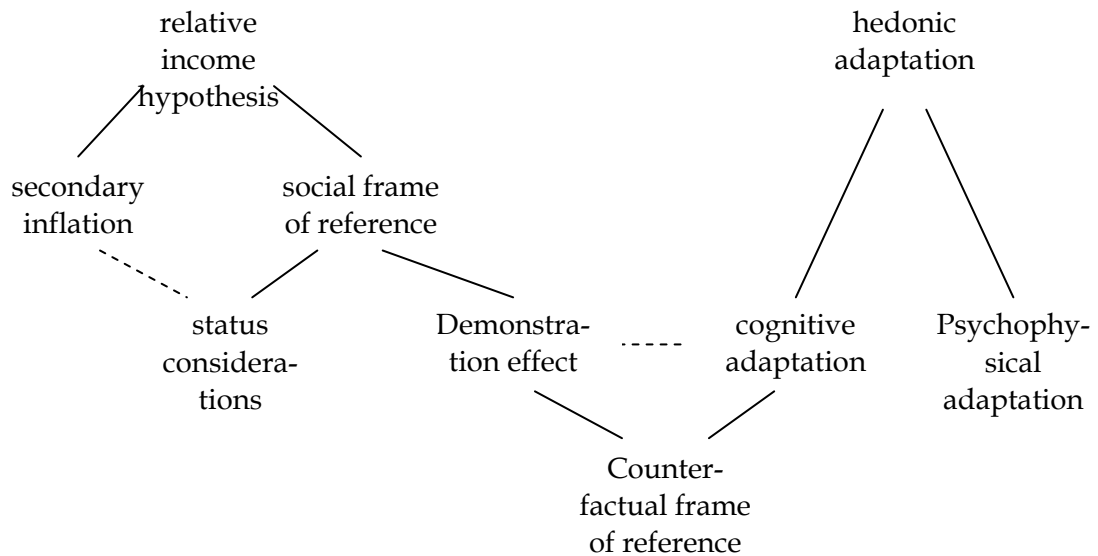
Finally, it is important to note that despite all the criticisms, Easterlin's early findings are still inspiring much of the current literature on happiness and socio-economic determinants. His argument that the weak relationship found between income and SWB is due to the importance of social comparison has triggered numerous studies and theoretical debate. Moreover, psychologists have added hedonic adaptation and rising expectations to the set of potential explanations. The following section addresses these issues.

Explaining the unclear relationship between income and SWB: the relative income hypothesis and hedonic adaptation

Chapter 2 presented an account of the social and psychological factors that affect people's consumption activity. Non-orthodox economists and sociologists stressed the importance of status-seeking, social comparison and the reference group for people's consumption against the neoclassical economics postulates of 'narrow' rationality and exogenous

preferences. Drawing from psychology and empirical evidence social scientists also highlighted how adaptation to circumstances is affecting how people perceive their economic level, among other life circumstances. Considering those traditions, Hirata (2001) undertakes a thorough analysis of the interplay between the relative income hypothesis and issues of adaptation, pulling together social scientists' arguments on consumption determinants. His aim is to explain how they affect the empirically contested relationship between income and wellbeing. His argument is summarised in the following figure.

Figure 3.1: Effects mediating between income and SWB



Source: Hirata (2001: 39)

Following Hirata's argument people comparing their incomes with others are influenced by a series of effects. The first is *secondary inflation* that is at play when positional goods are involved. It implies that with regard to certain goods (like a masterpiece or an idyllic countryside) (see the review of Hirsch's work in section 2.4), increases in income do not result in increases in the availability of those goods. Secondary inflation is also related to the lifestyle of others or the technical constraints in a society. People might consume more because they have to keep up with current trends, like living at a commuter distance from work and having to buy a car to access shops, workplace and schools.

The second is the *frame of reference effect* which is developed by Schor (see section 2.4. in Chapter 4) when she portrays American consumers' distress as the consumption of their reference group increases. Hirata defines the difference between secondary inflation and frame-of-reference effect as follows: 'Secondary inflation is the rate of income growth required to maintain one's level of functionings, whereas the frame-of-reference effect alters the set of functionings that will maintain an individual's level of SWB' (*ibid.*: 37). The former is related to Segal's (1998) work on the increasing amount of money people in the US need to keep on satisfying their basic needs. The latter shows how new activities and goods impel people to consumption if they want to maintain their social status.

Those two effects influence SWB through *status considerations* and the *demonstration effect*. The former involves the concern about one's position within one's reference raising aspirations as the reference group consumption increases. The latter is related to exposure to new and more sophisticated goods which will increase people's feeling of inadequacy if

they can not afford to buy them and are left to consume the old and outdated goods. Aspirations will raise because of changing standards of what is considered a suitable good such as houses with central heating or cars with airbag (Layard 2005; Hirata 2001).

There is still another effect that influences the relationship between income and happiness and that is *hedonic adaptation*, which in turn integrates two adaptation processes *psychophysical adaptation* and *cognitive adaptation*. The second is related to consumption and it was discussed in Chapter 2 as an example of endogenous preference analysed by Elster (1983). Cognitive adaptation is at play when the individual reassesses an invariant perception.

Hirata does not understand adaptation in Elster's or Nussbaum's terms (see discussion in Chapter 2). He argues that the reassessment of one's situation might be a result of one's excitement with a new purchase wearing off (*hedonic treadmill*) or by increases in income only setting one's consumption at the level of their reference group (adaptation related to the frame-of-reference effect). Both effects result in maintaining the initial level of SWB but one is lead by people's intrinsic feelings and the other by comparison with a social standard.

Both the *relative income hypothesis* and *hedonic adaptation* contribute to explain why above a certain threshold income people do not feel significantly happier as income grows. It also explains why richer people are usually happier than poorer but the richest are not always significantly happier than the second rich group. The former will be explained by absolute deprivation and status considerations, the second might be explained by the hedonic treadmill. I will now turn to those considerations in the next section which presents economists' empirical findings on income and SWB *within countries*. These types of studies are the most relevant for this thesis since the analysis of the effect of consumption on wellbeing will be carried out using cross-sectional data.

Focussing on within-country studies

a) Rich countries

Table 3.1. below shows the distribution of happiness between the poorer and the richer quarters of population in the United States and Britain. It illustrates how in developed countries richer people are happier than poorer people. Hagerty and Veenhoven's (2003) work correlating income and life satisfaction within 21 nations also confirms the above, showing that in 14 of the 21 countries, wealth is positively correlated with happiness (although coefficients vary from 0.38 for The Netherlands to 0.90 in Italy) and only in Belgium is there a significant negative association.

Table 3.1: Happiness according to income position (%)

	United States		Britain	

Source: Layard (2005: 31)

The assumption that beyond a certain threshold income does not add much to wellbeing implies that there are other factors that become important. Multiple regression analysis is used to take into account the large number of factors that are believed to be influencing

happiness (age, gender, education, health, unemployment, etc.) and income is introduced by taking the logarithm of income. Most analysis using multiple regression have found that income and SWB are positively and strongly related when logarithm of income (representing the diminishing returns of income) is included (Clark and Oswald, 1996; Frey and Stutzer 2002a; Burchardt 2004; Van Praag and Ferrer-i-Carbonell, 2004).

Frey and Stutzer (2002b) show two very interesting examples of within-country studies and the *diminishing marginal returns of income*. The first in the US by Diener and colleagues (Diener *et al.* 1993), the second in Switzerland by Leu and colleagues (Leu *et al.* 1997 cited by Frey and Stutzer 2002b: 84). The study by Diener and colleagues showed a clear curvilinear relationship between income and SWB in the US for the period 1981-84 implying that beyond an annual income of about U.S. \$15,000, a higher income is still related to higher wellbeing but the effect is small. Leu and colleagues found an even more paradoxical trend. This concerned the fact that in Switzerland for 1992-94 the richest reported a slightly lower satisfaction with life than the income group immediately below, which was later confirmed through an Ordered Probit and the calculation of the marginal effects⁴¹.

The relevance of social comparison is empirically tested by introducing in the regression analysis average income of a reference group or relative income (one's income compared to the average income of the reference group). A good example of this type of analysis is Clark and Oswald's (*ibid.*) study on job satisfaction and satisfaction with pay in Britain. In their study of 5,000 British workers they took as reference income level the income of a 'typical' employee with the same characteristics of the respondent. Using log of income, they showed how in the UK job satisfaction is positively related to income and negatively related to relative income for workers with below average wages, pointing at the validity of the *relative income hypothesis* in rich countries.

Clark and Oswald's results are nevertheless not conclusive. For instance, Di Tella and colleagues (2003) in their study of the effects of *relative status* in the US and Europe did not find that relative status mattered for happiness above and beyond the effect of personal income. However, a later study by Luttmer (2004) using panel data for the US found that higher earnings of neighbours have a negative impact on people's self-reported financial satisfaction, stressing the moderating effect of the *social frame of reference*. These contradictory results show how there is still much more work to do to clarify when and how the relative income hypothesis is a relevant moderator between income and SWB in rich countries.

⁴¹ The study showed that those in the second top income category had a higher probability (9.8 percentage points) of being completely satisfied with their lives than people at the bottom quintile. This was the case also for the top earners but the probability was lower than for the ones in the second top income group (7.4. percentage points).

Other interesting insights come from *cultural explanations*⁴² of the relative importance of income. Alesina and colleagues (2004) in their study of the effects of inequality on happiness in the US compared to Europe (12 member countries from 1975-1992) found on the descriptive side, a similar picture to the one in Table 3.1. Using regression analysis, their study shows that income is significantly and positively related with happiness in both samples controlling for many personal characteristics. Although they do not study social comparison directly, they analyse how inequality affects happiness through the Gini⁴³ coefficient in each of the countries and they find that it affects negatively the poor in Europe and the rich in the US. They argue that whilst the European poor perceive that it is unlikely that they will move up to a higher level of income, the American rich believe they live in a very mobile society with a high probability of moving down the income ladder.

In summary, empirical studies show that although in developed countries rich people are happier than poor there are clear diminishing marginal returns of income. Moreover, when social comparison is accounted for it usually shows to be negatively affecting happiness. However, the latter is a contested issue since studies such as Di Tella and MacCulloch (*op. cit.*) give evidence that absolute income matters more than any comparison effect. The next section summarises the main results from empirical studies in developing countries.

b) Middle income and poor countries

Social scientists researching wellbeing determinants have usually claimed that the relationship between income and wellbeing is stronger in developing countries. Biswas-Diener and Diener (2001) in their study of slum dwellers in Calcutta found one of the strongest correlations reported in the literature between income and SWB (0.45 at the $p < 0.05$ level of significance) at one point in time. Furthermore, early quality of life descriptive studies in South Africa during the eighties (Møller 2007) found that correspondence between subjective assessment and objective living conditions was strong enough to justify taking the two terms interchangeably. Coincidentally, Guillen and Velazco (2006) drawing from WeD data from RANQ⁴⁴ also found that an indicator of consumption was highly significant in explaining global happiness and satisfaction with income, housing and food in rural Thailand. In addition, Graham and Pettinato (2002) in

⁴² *Cultural differences* are also highlighted by scholars researching materialism (see section 2.6 in Chapter 2). Richins and Dawson (1992) and Belk (1985) tested the relationship between people's materialist values and character traits and SWB. They found a negative correlation between any of the two measures of materialism and SWB suggesting that materialist people are more likely to be dissatisfied with their circumstances than people who are not envious and do not centre their life around wealth and material possessions. Conversely, Inglehart's (1999) study showed that the poorer countries ranked higher in materialism than richer ones, which contributes to explaining why empirical analyses find lower correlations between income and SWB in developed countries.

⁴³ The Gini coefficient measures the inequality of income distribution for a specific population.

⁴⁴ The Resources and Needs Questionnaire (RANQ) was applied to several communities of Thailand, Peru, Bangladesh and Ethiopia. More information about its characteristics can be found in Chapter 4 of this thesis and Guillen and Velazco (*op. cit.*).

their study of 17 Latin-American countries plus Russia found a strong and positive effect of wealth and income on happiness⁴⁵.

However, not all the empirical research in developing countries confirms the hypothesis of the importance of absolute economic level. Rojas (2006) finds for a sample of Mexican households that there is a significant correlation between income and SWB but that this is very low (0.12 at $p < 0.01$). He also shows how even in the lowest two quintiles of income around 40% of people declare to be *very happy* with their lives. Moreover, despite claims that the relative income hypothesis does not apply below a certain income level (Hirata 2001), Fafchamps and Shilpi (2003) show that it does in Nepal and that in isolated villages the impact of the *demonstration effect* is negatively affecting people's SWB above and beyond their own income. This also happens in Peru as the work by Herrera and colleagues (2006) confirms.

Furthermore, Graham and Felton's (2006) study confirms that the relative income hypothesis also holds in Latin America. They tested how *status considerations* (relative wealth) and the *demonstration effect* (average wealth of their community) impact on people's happiness in 17 Latin American countries. They found that the demonstration effect is strong in Latin America above and beyond the effect of people's own wealth. They also found that status considerations play an even more important role than living in a wealthy neighbourhood. It seems that Latin Americans are more concerned about their relative position in the income-consumption ladder than with the actual wealth of their neighbours. Moreover, Graham and Felton showed how status considerations were significantly reducing happiness for the lowest two quintiles of the population and increasing happiness for the highest quintile.

In short, although all descriptive analyses done in developing countries so far show similar results to the ones found in developed ones, i.e. that rich people are happier than poor people, it is not clear to what extent absolute income or relative income effects are stronger in determining poor people's wellbeing. Evidence is mixed and general claims about middle income or poor countries need to be backed by specific and concrete empirical evidence. Within countries absolute income matters but still, even in poor settings it does not have a determining effect on people's happiness.

Finally, the problem of *causality* should be given some consideration. It is not clear whether wealth leads to higher contentment or happy people have more chances to have material success, among other type of achievements. Diener and Biswas-Diener (2002) posit that there is evidence to support that causality works in the two directions. Referring to Lyubomirsky (Lyubomirsky *et al.* 2005) and his own work he maintains that there is enough evidence to support that happier people earn higher incomes than poorer people and that other beneficial effects like better health, improved work performance and longevity also occur.

⁴⁵ Graham (2005) also compared determinants of happiness in Latin America, Russia and the US in order to test whether those in the developing countries diverge from those in the rich economies and found a great degree of similarity in the effects of income (positive and significant) and other socio-demographic variables (age, education, marriage, employment and health).

3.3 Objective wellbeing

Hedonic adaptation together with the framing effect of institutions discussed in Chapter 2 limit the scope of SWB as an approach to the content of a person's life. Complementing measures of SWB with *objective indicators* looks a sensible alternative to only focussing on people's reported emotions and cognitive assessments. Complementing does not exclude exercises that investigate the linkages between objective and subjective measures. However, it goes beyond that, since both angles give valuable information about what constitutes a person's life that should be taken into account if one wants to assess human wellbeing.

There have been many objective indicators developed to assess people's and societies' wellbeing. Economists have mainly focussed their assessments on Gross Domestic Product (GDP) per capita, income distribution and poverty rates. Following Sen's capabilities approach, the United Nations generated a multidimensional measure of development ('Human Development Index') that incorporates literacy and life expectancy to the traditional GDP per capita measure. Moreover, the Millennium Development Goals by setting objective targets that should be met by 2015 identify development with objective wellbeing. The Millennium Development Goals include targets such as halving the percentage of people in the world whose income is less than \$1 a day and ensuring that all children are able to complete primary education by 2015.

The use of broad indicators of human wellbeing based on universal characteristics draws on several social disciplines, from philosophy to psychology. Main contributors have been Sen's capabilities approach, normative theories of basic human need and theories of basic psychological needs. All those theories have in common a general argument for minimum standards for an individual to lead a 'good life'. In these approaches, consumption is analysed from the effect it has on people's objective wellbeing. Although the need for objective measures has been widely supported, the risks associated with universalism have left the academic world with few detailed lists of priority requirements⁴⁶.

Martha Nussbaum (1995, 2000) proposed a normative approach to evaluating the desirability of a given societal situation based on a list of ten central human functional capabilities related to what people are able to do and to be⁴⁷. Defining capabilities and thresholds for each capability, she specified a space to compare societies in terms of their success to meet them. However, Nussbaum's 'thick vague theory of the good' is highly contested. Clark (2002) claims that the fact that she assigns the same weight to 'bodily integrity' and 'play', for instance, together with its lack of empirical validation makes it difficult to use as an operational framework for empirical analysis.

Theories of basic needs offer an alternative to capabilities-based definitions of human wellbeing. Unlike the approach by Maslow and Max-Neef surveyed in Chapter 2 the theories presented here do not understand basic needs as drivers, as people might not be

⁴⁶ Several lists have been advanced in the development studies, economics and philosophy literature. For a comparison of the most relevant ones see Alkire (2002), Clark (2002: 81-92) and Gasper (1996).

⁴⁷ Nussbaum's ten central human functional capabilities are life, bodily health, bodily integrity, sense imagination and thought, emotions, practical reason, affiliation, other species, play and control over one's environment. She sees all capabilities being of equal rank.

aware of them, but as human or societal requirements for wellbeing. Two approaches have been especially salient in the social sciences; Ryan and Deci's (2001) Self-Determination Theory and Doyal and Gough's (1999) Theory of Human Needs. The former takes basic needs as requirements for a healthy psychological life within the eudaimonic tradition in psychology. The latter takes basic needs as social prerequisites for participation from an ethical perspective and has inspired, among other theories, the work on wellbeing and development of the WeD, ESRC Research Group in the University of Bath⁴⁸. The next two sections provide a succinct review of the two approaches and the lessons they offer for a wellbeing-based analysis of consumption.

3.3.1 The eudaimonic tradition in psychology

The eudaimonic tradition relates to the fact that people must live in unity with their *daimon* or true self. It has its roots in the Aristotelian view that contentment is found in doing what is virtuous, i.e. what is worth doing. In psychology the eudaimonic approach does not rely on people's assessment about the goodness of an outcome but focuses on meaning and self-realisation and defines wellbeing in terms of the degree to which a person is fully functioning. There are several approaches in eudaimonic psychology⁴⁹. Self-determination Theory (SDT) developed by Ryan and Deci (2000) is the most relevant for the study of consumption since it has triggered research on the relationship between consumption-related topics and wellbeing through its classification of human motivations.

SDT claims that there are three basic psychological needs that foster wellbeing: autonomy, competence and relatedness. *Autonomy* implies that people value and feel interested in their own actions, that they are self-endorsed and not forced by external agents. *Competence* is related to being able to achieve results to function effectively in one's society. *Relatedness* is linked to feeling part of the society, accepted and respected beyond the close family ties. Those needs are derived from ethological, behavioural and developmental evidence. Unlike approaches of needs-driven behaviour explained in Chapter 2, SDT clearly claims that the three psychological needs are essential for wellness and universal to human beings in all societies.

When these needs are satisfied, people feel self-motivated and present higher levels of contentment. People are not always aware of their psychological needs although they fuel much of human behaviour. Ryan and Sapp (2007) illustrate this by explaining that people might deny a need for relatedness trying to get over previous destructive relationships, but their lack of success to attain relatedness might nevertheless be related to psychological damage.

Drawing on their Cognitive evaluation theory (CET) Ryan and Deci *link people's motivations to the three psychological needs*. They argue that when people have their competence, autonomy and relatedness needs satisfied they are more likely to be intrinsically motivated. Intrinsic motivation is the 'inherent tendency to seek out novelty and challenges, to extend and exercise one's capacities, to explore, and to learn' (*ibid.*: 70). This type of motivation is positively related to measures of happiness and thus links

⁴⁸ A description of the theoretical framework and the research instruments of the WeD group can be found at <http://www.welldev.org.uk>.

⁴⁹ Refer to Ryan and Deci (2001) for a summary review of research on hedonic and eudaimonic wellbeing.

eudaimonic with hedonic approaches to wellbeing. Nevertheless, Ryan and Deci posit that although the same factors that enhance eudaimonic wellbeing do it with SWB the opposite does not necessarily hold.

‘For example, research by Nix *et al.* (1999) showed that succeeding at an activity while feeling pressured to do so resulted in happiness (a positive affect closely linked to SWB), but it did not result in vitality (a positive affect more closely aligned with eudaimonic wellbeing). On the other hand, as predicted by SDT, succeeding at an activity while feeling autonomous resulted in both happiness and vitality.’ Ryan and Deci (2001: 147).

As Table 3.2. shows people are not always led by intrinsic motives. Most of the time social and personal obligations make them focus on external rewards. Some of these rewards, like working hard to provide for ones family might have been internalised so people do not feel them as imposed. On the contrary, integration of this kind helps individuals to connect with their social environment and culture. Other rewards like acceptance in one’s community subject to the fulfilment of some requirements like having a certain type of job, owning certain type of goods might be valued as necessary for social integration but yet felt as externally caused.

Finally, people might act following an external reward or demand, feeling completely alienated from their behaviour and outcomes. The latter scenario is meant to undermine autonomy and competence and might also affect the extent to which people feel valuable members of the society. It is likely that a person who acts in order to meet externally set goals feels controlled and shows a low level of contentment, but as Ryan and Deci remarked (*op. cit.*) this will not always be the case as people might feel proud of having reached a goal regardless of whether it originated externally or internally. They argue that how people incorporate externally generated motivations is what makes them distinct.

Table 3.2: Taxonomy of motivational types

Motivation	Extrinsic				Intrinsic
Relevant regulatory processes	Compliance, external rewards and punishments	Self-control, ego-involvement, internal rewards and punishments	Personal importance, conscious valuing	Congruence, awareness, synthesis with self	Interest, enjoyment, inherent satisfaction

Source: Adapted from Ryan and Deci (2000: 72)

An alternative way of looking at motivations would entail looking at the regulatory processes at stake. This was the initial classification of Deci and Ryan (1985) which they called Organismic Integration Theory (OIT). It is useful because it highlights the controlled and autonomous character of motivations. In the OIT classification controlled orientations are guided either by external reasons or by internal forces such as guilt, anxiety or the desire to please others (introjected self-regulation). Autonomous orientations derive from introjected values that have been assimilated by the individual as components of the self (identified motives) or from the fulfilment they bring (intrinsic).

Material aspirations and wellbeing: the role of motivations

Although not directly researching consumption, the eudaimonic tradition has inspired some research on material aspirations and wellbeing (Kasser and Ryan 1993; Carver and Baird 1998; Srivastava *et al.* 2001; Sheldon *et al.* 2004). Following Ryan and Deci's (*op. cit.*) taxonomy of motivational types, if pursuing material goals is felt as an external demand that has a detrimental effect on people's self-actualisation tendencies, it is hypothesised that wellbeing will be reduced.

Kasser and Ryan (1993) drew from the eudaimonic tradition in their studies on how values and expectations for wealth and money were associated with psychological wellbeing (self-actualisation and vitality). They assumed that aspirations for financial success were extrinsically motivated following Maslow's work, SDT and two previous empirical studies by Emmons (1991) and Cantor and colleagues (1991). Their empirical work found that young Americans who overrate financial success over other life domains like affiliation, community feeling and self-acceptance experienced lower wellbeing. They hypothesised that individuals aspiring for material wealth might be more likely to be more centred around external goals and not pay enough attention to the satisfaction of their three basic psychological needs. This behaviour would harm their personality growth and wellbeing in terms of lower self-actualisation, vitality and more depression and anxiety (*ibid.*: 420).

Carver and Baird (1998) questioned Kasser and Ryan's study on the grounds that what matters is not *what* goals are pursued (financial success, community involvement, self-acceptance and affiliation) but *why* they are pursued. They challenged Kasser and Ryan's association of aspirations to financial success with extrinsic rewards and argued that pursuing financial success could also be driven by autonomous orientations.

'People can aspire to financial success because it will increase their popularity, because it will make their families proud, because of a societal expectation that that is what people are supposed to do. But people might also desire a high-income job because such jobs are likely to be more fun or exciting than those lower in status or income. People might aspire to financial success because financial success facilitates identified or intrinsic goals such as self-determination in one's work activities. Some people might think it strange to say this, but in principle, it seems entirely possible for a person to have the identified sense that the process of making a lucrative business deal or of carrying out a high-status professional activity has intrinsic value' (*ibid.*: 290).

In line with SDT, Carver and Baird enquired not only about the same set of goals as Kasser and Ryan but about the reasons people had to choose those goals. They classified motives following the OIT motivational types: internal, identified, introjected and external. Participants (psychology students) were asked to rate different reasons for valuing a goal on a 5-point scale. In order to capture respondents' level of self-actualisation they followed Kasser and Ryan and used Jones and Crandall's Self-Actualisation Index (Jones and Crandall 1986 cited by Kasser and Ryan 1993: 412).

Carver and Baird tested their initial hypothesis that a greater endorsement of reasons related to intrinsic-identified motives would lead to greater self-actualisation, even if the goals were connected to financial success. Through a study based on regression analysis they confirmed their hypothesis but they also found that the goal itself, aspiring for financial success, was significantly reducing subjective wellbeing. Acknowledging the above contributions but going beyond the locus of motivations that characterises SDT-based approaches, Srivastava and colleagues (2001) developed a classification of motives

for wanting money focussed on their *content*. Their initial list of motives drew on Furnham's (1984) scale of beliefs and behaviours related to money⁵⁰ from which they generated their final list of 17 motives⁵¹. Each of them was described by 3 items that were identified through a 'brainstorming session with researchers not associated with their study' (*ibid.*: 962). After carrying out four different studies and using factor analysis to group motives, they selected 10 first order motives which finally clustered in three second order factors. Table 3.3 shows the typologies of motives derived from the study and examples of the sample items used in the survey.

Table 3.3: Factors identifying motives for wanting money

Second order factors	First order factors	Sample items
Positive motives		
Freedom of action		
Negative motives		
	Overcoming self-doubt	To prove that I am not as dumb as some people assumed

Source: Srivastava, Locke and Bartol (2001: 962)

Srivastava and colleagues' also gathered information on money importance and aspirations and included in the survey a hedonic measure of SWB capturing pleasant and unpleasant affect. Furthermore, they collected information about self-actualisation so the impact of different motives on wellbeing could be assessed from a hedonic and eudaimonic perspective. They found that after controlling for motives there was no relationship between money importance and SWB. People motivated by social comparison and the lack of autonomous orientation were unhappier and attached a higher importance to money than others. Hence, they claimed that the negative relationship between money and wellbeing found in previous studies was due to the effect of negative motives and not to the type of goal or aspirations.

⁵⁰ Furnham (1984) found six factors that describe people's attitudes towards money: obsession towards money, money as a source of power, tendency to retain money, tendency to consider the available money as inadequate, ability to earn money, and conservative attitude towards money.

⁵¹ The 17 motives were: security, practical needs, help for future life planning, freedom from poverty, family support, market worth, pride, achievement, leisure, luxury, freedom, impulse, charity, social comparison, showing-off, seeking power, and overcoming self-doubt.

Sheldon and colleagues (2004: 476) raised serious methodological concerns about the work of Carver and Baird and Srivastava and colleagues. They maintained that the former did not succeed in proving the effect of pursuing financial success was due to the motive behind it and that the second study did use a motive measure that did not make a clear distinction between goals and motives. They carried out three studies (participants were current or former university students) to test whether the content of people's goals (like financial success) and the motives behind them had different and separable effects on wellbeing. Goal contents were identified in the extrinsic and intrinsic continuum and motives were linked to the controlled and autonomous categories. They measured wellbeing using hedonic measures (PANAS and SWLS).

Their study showed that *motives and goals were both important in determining people's wellbeing* although the effects of extrinsic goal contents seemed to be stronger. Individuals that reported higher SWB were those who focussed on intrinsic goals (related to meaningful relationships, personal growth and societal contribution) and pursued goals due to autonomous motives (because they identified with the goal or because of the enjoyment of the goal). Participants pursuing financial success showed lower wellbeing in line with Kasser and Ryan's previous work but the reason why they pursued it was also significantly influencing SWB. However, people who had high material aspirations because of autonomous motives showed lower contentment than people having intrinsic goals like 'helping to make the world a better place' (*ibid.*: 478).

As with the SWB research depicted earlier in the chapter, causality also presents a problem since reverse explanations could also hold that 'individuals dispositionally high on broad factors such as neuroticism, or those with low security and sense of wellbeing, may be more prone to view money as means of self-enhancement' (Kasser and Ryan 1993: 420). This latter approach could imply that the search for financial success is a consequence of an individual's pathology.

In summary, the study of consumption has much to learn from those approaches. However, consumption is not usually a goal by itself but a means to an end. People need to consume to survive, not only physically but socially. Nevertheless, whether people consume driven by controlled or autonomous reasons or by negative reasons is likely to make a difference with regard to the effect of consumption on wellbeing. Also the goals that they pursue through consumption, whether being predominantly intrinsic or extrinsic are expected to have an effect.

3.3.2 The Theory of Human Need

Unlike the literature on basic needs reviewed in Chapter 2 and the eudaimonic approach of the SDT, ethical theories of human need do not relate basic needs to behavioural drives. Gasper (1996, 2004a, 2004b, 2005) reviews the literature on human needs and wellbeing and tries to disentangle the different usages of basic needs distinguishing between drives, means and justified priority requisites. The latter approach taking needs as societal priority requirements is represented by Doyal and Gough's (1991) *Theory of Human Need* (THN). The THN identifies wellbeing with the attainment of physical health and autonomy, two societal values that can be spelled out independently of the people concerned.

Doyal and Gough's work starts differentiating between two types of goals: *needs* and *wants*. Needs are goals that when 'not satisfied by an appropriate satisfier serious harm of some specified and objective kind will result' (Doyal and Gough 1991: 39). Serious harm is defined as not being able to participate in one's form of life. Hence, needs are universal due to the consequences of not meeting them and objective as they do not depend on

individuals' preferences. Wants depend on individual's preferences and culture and they are not associated to serious impairment if they are not fulfilled. Doyal and Gough summarise the difference between needs and wants in the following statement 'I want a cigarette but I need to stop smoking' (*ibid.*)

The THN establishes a hierarchy of needs ranked from universal goals through basic needs to intermediate needs. Universal goals are avoidance of serious harm, social participation and critical participation⁵². These are reached through the basic universal needs of physical health and autonomy. Basic needs can be met in different ways and through different satisfiers. However, for satisfiers to contribute to physical health and autonomy they have to hold any of the eleven *universal satisfier characteristics* or *intermediate needs* defined by the THN.

Physical health requires that satisfiers have the following characteristics:

- *Adequate nutritional food and water* which should supply the minimum intake required to maintain bodily functions;
- *Adequate protective housing* that facilitates the avoidance of illnesses. Although what is understood as adequate housing is relative, proper dwellings should offer protection from extreme climate, diseases and diseases transmitters, proper sanitation and enough space to avoid overcrowding;
- *Non-hazardous work environment*. Work conditions should not imply excessive working hours, exposure to pollutants or health threatening hazards and alienating work;
- *Non-hazardous physical environment* meaning that the natural environment is free from high concentrations of dangerous pollutants;
- *Appropriate health care* implies access to medical services that provide the best techniques for preventing, curing and palliating illnesses.

Autonomy is enhanced by:

- *Security in childhood* meaning that children are loved, feel secure, have opportunities to play, feel praised and recognised and increasingly responsible towards others;
- *Significant primary relationships* involving a set of personal connections that sustain the cognitive and emotional growth of the individual;
- *Physical security* in terms of reduced exposure to violence;
- *Economic security* concerning freedom from poverty, that people have a standard of living that allows them to participate in their form of life;
- *Safe birth control and childbearing* meaning that women have access to family planning; and
- *Appropriate basic and cross-cultural education* so people learn what is necessary for active participation in the practices of their societies and learn basic elements of universal and cross-cultural knowledge.

Unlike basic and intermediate needs, satisfiers are relative and depend on the culture and the society in which the individual is living. In the THN satisfiers are private and public goods so directly identifiable with consumer goods and services. Since needs are

⁵² Critical participation represents a higher level of social participation where individuals are able to contextualise their own form of life, criticise and do something to transform it.

conceptually differentiated from wants only goods and services that contribute to the fulfilment of universal needs will account as satisfiers. Doyal and Gough (1991: 233) describe *needs satisfiers* as 'those goods and services which satisfy substantive individual needs within any particular economic structure' and *luxury goods* as 'all other goods and services, including consumption goods other than basic need-satisfiers and goods such as weapon systems which do not enter into the production of other products'. They acknowledge the difficulties in distinguishing between satisfiers and luxuries but they see it as essential in order to evaluate the potential of different societies to satisfy basic needs:

'An economy which prioritises the production of needs satisfiers will, all things being equal, enhance overall opportunities for successful participation to a greater extent than another economy with the same aggregate output but with a higher share of luxury production'. (Doyal and Gough 1991: 237)

Doyal and Gough do not attempt to identify specific goods and services with satisfiers since the same product can satisfy at the same time needs and wants. They do not enquire either into the reasons why some products that are meant to satisfy certain basic needs do not so. Unlike Max-Neef's approach (see Chapter 2) by considering satisfiers relative to one's culture they skip the challenge of analysing the process of meeting basic needs i.e. how goods and services become or do not become basic needs satisfiers.

Doyal and Gough's theoretically derived list of universal goals and basic needs is contentious, among other things, because of the lack of incorporation of local understandings. However, as reported at the beginning of this section a strong localist approach faces the question of adaptation and framing effects. The heterogeneity of views one finds in any community and the power relations that exist also work against exclusively relying on localist approaches. However, people's views should be incorporated and Gough advocates for an approach based on 'common human needs coupled with local contestations over need satisfiers' (Gough 2004: 306).

One of the advantages of the THN derives from its potential for operationalisation. Table 3.4. reproduces the universal societal indicators that Part III of THN uses to analyse the success of different countries in meeting people's basic needs. It also shows the household level indicators that WeD has developed to pin down basic needs levels in the countries where the research has been carried out. These indicators have been used by McGregor and colleagues (2007) to analyse how households' material, human, social, cultural and natural resources affect basic needs levels. They will also be used in this thesis to identify basic needs and intermediate needs satisfaction in the communities of the Peruvian corridor.

Table 3.4: The THN: Intermediate needs societal and individual indicators

	Intermediate needs	Universal societal indicators (THN)	Culturally specific household level indicators (McGregor <i>et al.</i>)
Physical health			
Autonomy			
			If household faced any major adverse shocks in last five years which had a major impact on consumption or assets.
	Basic education	Lack of primary/secondary education Years of formal study < specified level Lack of specified qualifications Lack of higher education	If any children aged 6-15 years are not or have not attended primary school; or if no adult household member has completed primary school

Source: Doyal and Gough (1991) and McGregor *et al.* (2007).

In summary, the THN makes an important distinction between needs and wants. Both are societal goals but their implications are radically different as not satisfying the former means impairment from social participation. Moreover, needs are structured following a hierarchy from basic needs signifying universal goals to intermediate needs that lead to their fulfilment. Goods and services will become basic needs satisfiers if they have any of the eleven characteristics of the intermediate needs, otherwise they will be wants satisfiers. This basic difference entails that people's wellbeing will be enhanced by goods and services that have universal satisfiers characteristics. Whether what people consume possesses those characteristics has not been addressed in the literature yet. This will be one of the issues this thesis will touch upon in the empirical analysis of consumption in Peru.

3.4 Conclusions

The first part of the chapter has surveyed studies based on the hedonic tradition in psychology that derives individual wellbeing from people's assessments of their experiences and feelings. Drawing on this approach, social scientists have analysed the impact of socio-economic variables on SWB. Expenditure, wealth and/or income have usually been taken interchangeably and their relationship with SWB seen as representing the impact that consumption has on people's contentment.

Three aspects of the relationship between income and subjective wellbeing have triggered a wealth of empirical studies drawing from the early work of Richard Easterlin in the seventies. Differences in income levels between and within countries and economic growth have been studied regarding their effect on SWB. As societies grow their happiness does not always increase and richer countries are not necessarily significantly happier. However, what seems widely accepted is that within countries richer people are happier than poorer and the strength of this relationship seems stronger in middle and low income countries. Nevertheless, this is also contested since the diminishing marginal returns of income related to adaptation, the importance of social comparison and cultural aspects result in a weak relationship even for middle or low income economies.

On the objective side, eudaimonic psychology offers interesting findings related to the pursue of material rewards. People who seek material possessions and feel externally motivated to achieve financial success are usually unhappier and less actualised than people who have lower material aspirations. With regard to broader views of objective wellbeing such as the THN, the claim that goods and services contribute to wellbeing when they hold any of the eleven universal satisfier characteristics is useful for the study of consumption from a wellbeing perspective. By linking the THN with Max-Neef's classification depicted in Chapter 2, attention is drawn to the properties that goods and services should hold if they are to contribute positively to wellbeing. This will be analysed in the empirical part of the thesis.

Drawing on the literature discussed so far, the next chapter presents how this thesis researches the impacts of consumption on people's wellbeing through motives and satisfiers. Motives for consumption will capture people's own appraisals of their needs and wants and will be used as a complementary indicator to total expenditure in a regression analysis of SWB. Satisfiers will enable the study of the impact of goods and services on basic needs, thus examining how consumption affects objective wellbeing.

4 Consumption and wellbeing: Methodological framework

4.1 Introduction

The goal of this thesis is to reach a better understanding of the effects of consumption on people's wellbeing accounting for the most important mechanisms at play according to the social sciences. This means facing three main challenges. The first is conceptual, since there is not a single analytical framework that accounts for the subjective and objective impacts of consumption on the individual. The second is methodological, as an analysis of people's consumption drawing on the social sciences ought to contemplate outcomes as well as processes which entail the use of different methodologies. The third is contextual since the particularities of the seven Peruvian sites where the research is applied raise specific methodological, sampling and ethical concerns.

This chapter presents the research questions and the analytical framework designed to answer them together with their associated methodological challenges. It also discusses the data sources and the specific research instruments used to collect the different types of data the thesis draws on. General issues of validity, reliability and inference are outlined together with broad ethical concerns. It finally provides a brief description of the Peruvian communities that constitute the focus of the analysis.

4.2 Research questions and analytical model

Chapters 2 and 3 of this thesis have outlined the social sciences approach to consumption. People's behaviour has been taken as driven by self-centred maximisation of utility; by comparison with others and the search for success; by tradition, custom and the functional organisation of a culture; by the thrill and excitement of novelty; by values or personality traits focussed on material things and by the satisfaction of basic needs, among others. All those factors perform as single leaders of particular explanations of consumption from economics, sociology, anthropology and psychology but are not usually analysed jointly.

This thesis brings together the previous approaches in order to provide a comprehensive explanation of the multidimensional impact of consumption on wellbeing. The empirical work will draw on the linkages between consumption-related aspects and wellbeing presented in Chapter 3. These are summarised in the following four points.

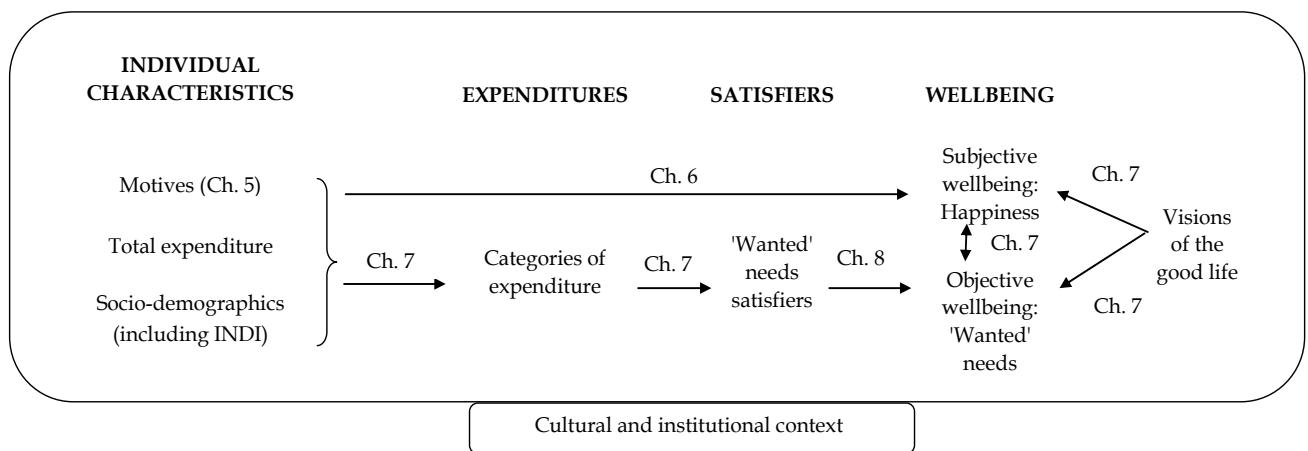
1. As economists, psychologists and sociologists have shown, people's absolute and relative economic level matters for subjective wellbeing (SWB).
2. SWB and perceptions of the self are influenced by the symbolic meaning of consumption which is found in anthropological, sociological and psychological studies.
3. The goals people achieve through consumption and the reasons why they pursue them might have an impact on SWB and people's self-actualisation as psychologist's research on materialism suggests.
4. The type of goods and services consumed and their characteristics as satisfiers are key mediators between consumption and objective wellbeing (OWB) in theories of needs and capabilities in psychology, sociology and ethics.

All four aspects have an important role in explaining how consumption affects wellbeing. These aspects are captured through traditional economic measures such as income or expenditure and two concepts arising from the literature review: *motives* and *satisfiers*. The former are used here to collect factors mentioned in points 1, 2 and 3; the economic, social, psychological and symbolic meaning of consumption. The latter incorporates issues of

adaptation to one's environment and the institutional constraints that define access, availability and meaning to goods and services (points 2 and 4).

Figure 4.1 portrays the analytical framework of the thesis. It shows the relationships that will be investigated and the specific chapters in which they will be addressed. The consumption process is broken up in three parts. The first comprises individuals' characteristics regarding total expenditure; socio-demographic characteristics (including an indicator of the basic needs level of the household); and *motives* for consumption. The second concerns patterns of expenditure on major categories of consumption. The third relates to *satisfiers*, the goods and services that are used to meet human needs. The three areas are explored at different stages of the analysis and they constitute the key defining features of the consumption process which is finally assessed for its contribution to human wellbeing.

Figure 4.1: Consumption and wellbeing: Analytical framework



As Figure 4.1 shows, there are two stages of the analysis. The first concerns Chapters 5 and 6, studying consumption and its effect on subjective wellbeing and focussing on motives using quantitative methods. The second comprises Chapters 7 and 8 addressing consumption from the objective wellbeing perspective and focussing on the role of satisfiers through a qualitative approach. It is important to note that the cultural and institutional context of the Peruvian communities is implicit in the research and its distinct effect on the consumption process is brought out in the different stages of the analysis.

Chapter 5 explores *motives for consumption* and discusses the associated conceptual and methodological issues. It describes the type of motives that emerge in the Peruvian corridor together with its relationship with people's priorities of consumption (see the Income and Expenditure survey questions on motives in Figure 4.3). Chapter 6 adds to the analysis people's socio-demographic characteristics and expenditure levels. These are regressed on happiness, the variable that this thesis takes as approximating subjective wellbeing. Chapter 6 also addresses the relationship between objective and subjective wellbeing, since the regression analysis incorporates as independent variable an index identifying household's intermediate needs levels following Doyal and Gough's theory of human need.

Chapter 7 takes into account people's motives and their patterns of consumption and associates categories of expenditure to identify *satisfiers*. It begins to explore the

effectiveness of *satisfiers* by defining objective wellbeing through people's visions of the 'good life'. People's perspectives are confronted with the THN intermediate and basic needs in order to discuss their universality. The chapter narrows down the space of the study of satisfiers by defining the intersection between normatively valued needs and felt needs (the realm of the 'wanted needs'). Finally, Chapter 8 concentrates on assessing the goods and services meant to meet 'wanted needs' in Nuevo Lugar. The analysis draws on the THN characterisation of universal satisfiers and Max-Neef's (1991) typology.

The next two subsections describe the two parts of the research strategy in more detail.

4.2.1 Consumption and subjective wellbeing: The role of motives

The first empirical part of the thesis focuses on SWB. It analyses how it is affected by consumption following the approach of the 'economics of happiness' introduced in Chapter 3. The traditional approach through income, expenditure or wealth is expanded to incorporate a psycho-social dimension of consumption through the concept of *motives*. Hence, the effects of consumption on people's SWB are investigated through the usual variables such as total, average and relative consumption and the 'motives variables' that integrate other dimensions of wellbeing besides economic aspects. Happiness is the variable used in this thesis to approximate SWB.

The study tests the first specific research question: *whether motives for consumption matter for SWB outside one's relative and absolute level of expenditure*. This is investigated using data from seven communities of the WeD Peruvian corridor, the main features of which are described later in this chapter. The four types of variables that will be used in the analysis are summarised below (refer to Chapter 6 for a detailed description).

Motives for consumption

The main reasons why people consume are collected under four different headings: basic needs, hedonic drives, socially related motives and customs. Classifying people's accounts on motives under the four factors is done following a theoretically informed approach. Participants' reports about the reasons they spend on specific items are confronted with ethnographic information about the communities and the theories of consumption and wellbeing reviewed in the first two chapters of the thesis. This exercise results in the four categories mentioned. Chapter 5 describes in detail the strategy followed to collect, code and generate the motive variables.

Consumption

In this thesis consumption is approximated by expenditure, unlike other studies on happiness determinants that use income or wealth. Expenditure was collected through the WeD Income and Expenditure survey (I&E) in the seven communities of the Peruvian corridor described in section 4.4 of this chapter. They concern households' food and non-food consumption during July 2005. The detailed composition of the variable 'total expenditure' together with information about the construction of the variable is explained in Chapter 6.

Expenditure is included in the analysis in absolute and relative terms following previous theoretical and empirical research on SWB determinants. The latter demonstrated that not only the total amount spent but the level of consumption of the reference group (average consumption) and the position of the individual with regard to it (relative consumption) matter for people's wellbeing. Hence, following Graham and Felton's (2006) study of 17 Latin-American countries, consumption will be included in the analysis through *total expenditure*, *average expenditure* and *relative expenditure*.

Socio-demographic characteristics

People's socio-demographic characteristics that previous research has proven have a significant effect on SWB are included in the analysis. These are age, gender, religion, cohabitation or marriage, health status, employment status and level of intermediate needs achieved by the household. Chapter 6 will describe in some detail the type of variables used to identify those characteristics and will discuss how they affect participants' happiness.

It should be noted that an indicator of the household level of basic needs is included in the study. The Intermediate Needs Deprivation Index (INDI) is an objective measure of the lack of basic needs satisfaction at the household level (McGregor *et al.* 2007). Details about the generation of the index are given in Chapter 6 but it is important to remark here that it includes most intermediate needs of the Theory of Human Needs by Doyal and Gough (*ibid.*). This variable allows the study of whether basic needs levels are related to people's motivations for consumption or are two independent constructs. It is also included to investigate whether basic needs levels have an effect on people's SWB at any given level of consumption. Finally, it connects subjective and objective measures of wellbeing, contributing to the open debate on the linkages between both perspectives.

Subjective wellbeing

Following the hedonic approach to wellbeing, SWB is captured through a three-point scale single global indicator on happiness (very happy, fairly happy, and not too happy). Other indicators of SWB were also collected in the survey and used to triangulate findings. However, the generalised use of the global happiness question and its validity in diverse and cross-cultural research makes it especially suitable for this analysis.

The linkages between the independent variables (motives, expenditure and socio-demographic characteristics) will be presented in Chapters 5 and 6 through descriptive statistics. The effect of the three types of variables on happiness will be analysed using a latent response model (Ferrer-i-Carbonell and Frijters, 2004) regressing the three-point scale happiness variable against socio-demographic factors, the INDI, consumption and motives for consumption. This is expected to contribute to the understandings of the multiple ways that consumption impacts on wellbeing. The working hypothesis is that not only do absolute or relative quantities consumed affect people's happiness, but the motives or reasons for engaging in the consumption activity play a determining role.

As mentioned before, this research draws on data from the Peruvian corridor. Despite the geographical, cultural and economic differences of the seven communities studied, most people in the sample are materially poor by Peruvian standards and the majority fall into the 'extreme poverty' category (Copestake 2006a). Drawing from previous studies on happiness determinants it could be hypothesised that in the context of the Peruvian corridor having a relatively high level of consumption will have a positive effect on wellbeing (Hirata 2001; Graham and Felton 2006).

Regarding motives for consumption, the fact that research on motives has only been conducted in developed countries makes it difficult to derive any potentially valid hypothesis. Arguably, following Ryan and Deci's (2002) intrinsic-extrinsic motivational continuum, people who feel identified with the goal they pursue by consumption would show higher wellbeing, as would people consuming to support one's family (Srivastava *et al.* 2001). However, in poor societies, where the opportunity costs of consumption are so high, reasons for consumption that *a priori* are expected to increase wellbeing might not do so. For instance, spending on housing materials might be done in order for the family not to feel ashamed because of the low quality of the dwelling. This might cause people to

associate a high degree of anxiety to reasons such as supporting one's family. Those issues will be investigated in Chapter 6.

4.2.2 Consumption and objective wellbeing: The role of satisfiers

The second empirical part of the thesis focuses on consumption motivated by people's felt needs and analyses how effective goods and services are in meeting them. It uses the concept of satisfiers and takes basic needs as drivers for consumption following Maslow (1970), Max-Neef (1991) and Hamilton (2003) as well as universal preconditions for social participation (Doyal and Gough 1991)⁵³. By founding the research on these premises, which are discussed in detail in Chapter 7, the thesis concentrates on expenditure that address 'wanted needs' (Gasper 2005), those that motivate people's actions and are also considered essential requisites to social integration.

The empirical analysis on satisfiers and wellbeing draws mainly on qualitative data from in-depth interviews and focus groups in Nuevo Lugar, a shanty town of Lima belonging to the WeD Peruvian corridor. The characteristics of the slum (refer to section 4.7. and Chapter 7), populated by first and second generation migrants the majority of which are from the *Sierra Central*⁵⁴, relatively well connected to central Lima, with access to modern markets and public facilities, present an ideal setting for the study of the complexity of consumption and its consequences for basic needs satisfaction.

The challenges posed by the collection and analysis of qualitative data on consumption practices are described later in section 4.4.3 and in Chapter 7. The approach followed to analyse the data is developed in Chapters 7 and 8. The analytical strategy of the study of satisfiers can be defined as a *confronted bottom-up approach* since it specifies *a priori* the objective of the study and the analytical strategy but the final categories are defined by the data. Figure 4.2 below summarises it.

⁵³ The analysis of specific issues from universalist theories of wellbeing is not new. For instance, there is a growing literature operationalising Sen's capabilities approach (Alkire 2002), human needs approaches in the resolution of conflicts (Danielsen 2005), Max-Neef's satisfiers in the study of sustainable consumption (Hofstetter *et al.* 2005), Max-Neef's basic needs in a time series analysis of UK consumption patterns (Jackson and Marks, 1999). However, unlike this thesis, it is not common to confront the theories themselves with the population that is going to be the object of the research.

⁵⁴ The *Sierra Central* or Central highlands is where five of the seven communities of the WeD Peruvian corridor are located.

Figure 4.2: Consumption and basic needs: The three-step approach

First Step	Enquiring about basic needs in the community by asking people about their visions of the 'good life' (Clark 2002).
Third step	Exploring whether goods and services consumed in order to satisfy basic needs are successfully contributing to them drawing on the THN definition of universal satisfiers and Max-Neef's classification.

In order to define the satisfiers that will be investigated with regard to their efficiency in meeting needs, the study initiates by assuming that basic needs are a suitable paradigm from which to assess wellbeing processes and outcomes. However, in this part the concept of basic needs is defined by participants through their views of the 'good life' and not directly assumed to be close to the THN intermediate and basic needs. People's valued component of the 'good life' are confronted with the intermediate and basic needs of the THN following the methodology of Clark's (2002) study in two South African communities. Thus, people's valued functionings are discussed with regard to their potential universality.

After people's valued prerequisites for social participation in the slum are specified the second step focuses on consumption drivers. It identifies the categories of goods and services that are consumed driven by felt needs and compares them with the reported components of the 'good life'. This process sets the boundaries of the research on satisfiers which are reduced to those that are considered to address 'wanted needs', needs that are felt and valued as basic requisites in the slum. Then, the third step concerns the analysis of people's accounts on those satisfiers, the reasons why they use them and the sources of information they draw on. This leads to a discussion about the effectiveness of satisfiers, drawing on the THN and Max-Neef's classification (see Table 2.3. in Chapter 2).

The method followed to analyse people's accounts is generally described as *content analysis*. There are many typologies of content analysis; Tashakkori and Teddlie (1998: 118) classify them by the type of themes (*a priori* or emerging) and the complexity of schemes applied (simple or complex schemes). Following their categorization the content analysis undertaken is both *a priori* and emerging applying a simple analytical scheme. The latter concerns the fact that coding and crossing different levels of categories is not done through a complex process. The former concerns the fact that once satisfiers are defined through steps 1 and 2, then narratives about them are analysed considering two types of themes. First following *a priori* themes like people's motives for consumption and the sources of information they draw on. Second incorporating *emerging themes* related to the cultural and institutional context and the particular circumstances of participants. It is also important to note here that although heavily qualitative, this second part of the thesis complements people's narratives with quantitative information from WeD surveys and other secondary sources.

Finally, it should be noted that as shown in Figure 4.1 this research offers two independent and complementary approaches to the study of consumption and wellbeing. They are independent because they tackle two different dimensions of human wellbeing;

they are complementary because through the study of motives and satisfiers the mediating effect of socio-economic, cultural together with other institutional variables is clarified.

4.3 Research strategy

The methodological approach of this thesis falls in what has been called *mixed methods or multi-strategy research* which identify studies that combine quantitative and qualitative methods. This type of approach has proliferated since the 1980's although in the social science literature it started to be used in the late fifties when Campbell and Fiske advocated for the use of two or more methods to triangulate research findings (Campbell and Fiske 1959 cited by Johnson *et al.* 2005: 9). Triangulation, concerning the use of different methodologies or approaches to study a specific research problem, is now required and widely used in most social research. Besides triangulation, mixed methods research brings together different approaches and angles that can contribute to the understanding of social phenomena.

There are two common criticisms against multi-strategy research: 'the idea that research methods carry epistemological commitments and the idea that quantitative and qualitative research are separate paradigms' (Bryman 2004: 444). The former is related to the fact that methods such as focus groups and large quantitative surveys are incompatible due to their inherent epistemological and ontological commitments. Researchers drawing on qualitative methods and analysis are usually interpretivists or constructivists and researchers carrying out quantitative analysis have a positivist epistemological position. Other features like the values embedded in the research, its logic and the linkages investigated contribute to the two approaches being supported as conforming to distinct paradigms. Their characteristics are summarised in Table 4.1 following Lincoln and Guba (1985).

Table 4.1: Axioms underlying positivism and constructivism

	Definition	Positivism	Constructivism
			-
		Deductive logic : emphasis or arguments from the general to the particular and <i>a priori</i> hypotheses	Inductive logic: emphasis on grounded theory, from the particular to the general.

Source: Adapted from Lincoln and Guba (1985)

Despite the analytical utility of distinguishing between the two paradigms, social scientists are increasingly constructing their work drawing on the two approaches. As Bryman (2004) claims, mixed methods can be used to attain tasks with different epistemological and ontological assumptions and the areas of overlap between the two paradigms should not be understated.

In this thesis the two approaches have a similar weight and they are used to study different aspects of the relationship between consumption and wellbeing, which entail two divergent ontologies (see Table 4.2 below). On the one hand, research on SWB determinants by psychologists and economists relies on the existence of a single reality which is people's feeling of contentment that can be measurable and comparable. This type of research is usually associated with positivism since it 'bases knowledge on observable facts and rejects speculation about ultimate origins' (Tashakkori and Teddlie 1998: 7).

On the other hand the take of this thesis on OWB through a *confronted bottom-up approach* involves an interactive approach to the definition of basic needs that opens the possibilities for diversity in the construction of reality. It does not take the universality of basic needs as given but looks for it in people's accounts of the 'good life'. Thus, the paradigm underlying data collection and analysis in this second empirical part (in-depth interviews, focus groups and content analysis) is close to constructivism. It focuses on understanding phenomena through the processes that lead to them.

The two empirical approaches to consumption and wellbeing are complementary. Whilst the quantitative study allows the testing of cause and effect and *a priori* hypotheses the

qualitative work gives information about processes. However, in this thesis the use of positivist and constructivist approaches is not always clear-cut. For instance, in the quantitative part the motive variables are generated from people's accounts and not derived from their patterns of consumption. This implies that the social and cultural setting becomes a part of the analysis diverting from the positivist approach that context-free generalisations are possible. Moreover, the qualitative research on satisfiers establishes cause and effect linkages that are not usually assumed to result from a constructivist approach. Participants' narratives about consumption processes, reasons and sources of information together with additional data from WeD and other Peruvian researchers results in classifying goods and services with regard to their efficiency as satisfiers. This is somehow implying that there is an objective reality not always perceived or constructed by participants.

In summary, my research could be defined as following *pragmatism* with the pre-eminence of a qualitative or quantitative model in each of the two different stages of the study. Pragmatism originated in the United States and advocates that quantitative and qualitative approaches share fundamental values such as the 'value-ladenness of inquiry, the belief in the theory-ladenness of facts, the belief that reality is multiple and constructed, the belief in the fallibility of knowledge and the belief in the under-determination of theory by fact' (Tashakkori and Teddlie 1998: 13). Although the arguments supporting these commonalities are not discussed here the possibilities opened by the pragmatic approach are adopted in this thesis as a way to embrace a wider understanding of social phenomena. Moreover, this thesis takes some stances close to *critical realism* as the role of structures is always present in the analysis and brought out by it and it is acknowledged that reality is only imperfectly captured by academic research.

Concerning the research strategy, this thesis falls in what Tashakkori and Teddlie (*ibid.* 50) call *multilevel research* as data is collected quantitatively and qualitatively at different levels. It also goes beyond *mixing methods* to mixing paradigms at different stages of the research process thus conforming to what has been called *Mixed Model Studies*. Following Patton's three dimensions for classifying the latter, Table 4.2 summarises the approach of this research (Patton 1990 cited by Tashakkori and Teddlie 1998: 53-56).

Table 4.2: The three dimensions of the study on consumption and wellbeing

General research questions	Research design	Measurement	Analysis
Part III. Are goods and services people spend their money on effective in satisfying basic needs?	Exploratory since the study investigates whether people's visions of the good share core characteristics with the THN in a particular setting. Confirmatory investigation since previous research by Max-Neef (1991) and Schuldt (2004) point to the fact that available satisfiers in developing countries and Peru might be of a harmful nature.	Qualitative data collection and operations. Adapting the interview topic guide to include closed-ended questions.	Content analysis of the interviews and focus groups around three main topics, goods and services consumed motives and sources of information. Descriptive statistics from RANQ to provide general information about the slum and the participant households.

Despite the usefulness of classifications like Patton's to pin down the main features of a mixed model research strategy, studies like this thesis usually present areas where boundaries are blurred. This is the case in the two empirical parts of the thesis. The analysis of the impact of consumption on subjective wellbeing draws basically on quantitative methods but not solely. The main bulk of the analysis in Chapter 6 is carried out through regression analysis using a latent variable model following previous economic approaches to SWB determinants. However, qualitative methods are also used in the measurement and analysis dimension. One of the main variables included in the regression is motives for consumption and those were collected through an open-ended question that had to be content analysed and codified in order to be treated statistically in Chapters 5 and 6.

As discussed before, in the third part of the thesis the dominant paradigm is constructivism. The three-step research strategy implies a 'bottom-up' approach to basic needs that is confronted with the intermediate and basic needs of the THN. Moreover, focus groups and in-depth surveys are traditional qualitative methods that imply the direct involvement of the researcher and her take on reality. The analysis is qualitative but triangulation between methods and relation with previous research and quantitative data from WeD instruments allows for inference and attempts of generalisation.

4.4 Data and sampling

4.4.1 The Resources and Needs Questionnaire

Data on demographic characteristics of the Peruvian corridor's households and indicators of basic needs satisfaction were taken from the Resources and Needs Questionnaire (RANQ)⁵⁵ that was implemented in July-September 2004. The RANQ is a survey instrument applied to 1,000 households in Peru across seven rural and urban communities. RANQ's goal was to gather information to assess household's need satisfaction (health, education, food, housing, primary relationships) and access to a wide range of resources (human, material, natural, social and cultural). It also collects information on long-term shocks and fortunes experienced by the households and household head happiness and satisfaction with life domains. Most questions in RANQ are at the household level but perceptions about life domains and happiness were only addressed to the household head⁵⁶.

WeD Peru applied a purposeful selection of the sample sites in order to capture diversity within the poor in one of the most unequal countries in the world. Two urban, two peri-urban and three rural communities were identified across a 'corridor' that besides geographical variations (coastline/desert, highlands and jungle) reflects variation in access to natural resources, degree of urbanisation, population density, type of markets, proximity to centres of political power, ethnicity, language, and collective and individualistic values.

Within the seven sites, sampling was done once the fieldworkers were living in the sites and had established a rapport with the community. It should be noted that WeD was not as concerned with having a representative sample as with the rapport fieldworkers could establish with participants. Thus, RANQ does not show a representative sample of the communities. Moreover, WeD had as a goal to capture different aspects of people's wellbeing so it was desirable to have most households participating in all surveys. This implied that as RANQ was implemented after a qualitative survey on quality of life, only households that had not participated in the previous instrument were randomly selected. The instrument previous to RANQ had used stratified non random sampling or quota sampling⁵⁷ since rapport with the fieldworkers was prioritised against randomness.

In the three small urban communities (fewer than 600 inhabitants) RANQ surveyed most households. Medium sized communities (fewer than 6,000 inhabitants) were divided into neighbourhoods since 'they draw a geographical configuration that represents typical differences in access to main roads, economical differentiation and environmental changes. It yields the possibility of including differences within site, and enabling the establishment of balanced cross-site comparisons' (WeD-Peru 2004: 1). Once quotas were defined proportional to the population of each neighbourhood, fieldworkers would

⁵⁵ The RANQ questionnaire is available upon request at www.welldev.org.uk

⁵⁶ Household head 'is the person who is acknowledged as such by the members of the household and who is usually responsible for the upkeep and maintenance of the household' (WHO 2005).

⁵⁷ Stratified non random sampling means that 'cases are selected nonrandomly (volunteer, available, and so on) from each subgroup of the population under study (Tashakkori and Teddlie 1998: 76).

randomly select additional households to the ones participating in the quality of life survey until they had reached the required number of interviews.

The shanty town of Lima demanded a different selection strategy. With around 83,000 inhabitants and 23 zones, the community was divided into three sectors that the fieldworkers identified as sharing common characteristics. The lowest area was the more economically developed, the middle area showed an intermediate level of development and the highest part was the materially poorest, with prevalence of tuberculosis and gang activity. Proportions of dwellers living in each zone were calculated from census data and additional households randomly selected at stratum level. Table 4.3 below shows the final sample for each site.

Table 4.3: RANQ sample

Population	Community	Sample size (number of households)
83,000	Nuevo lugar, district of Ate Vitarte, Lima	250

Source: RANQ

4.4.2 The Income and Expenditure survey

Data on household expenditure, perceptions and motives for consumption of the household head and the spouse were collected in the I&E survey⁵⁸. This survey was implemented in the seven communities of the corridor to a sub-sample of 254 RANQ households during July 2005⁵⁹. The I&E survey was designed to capture data on the different categories of incomes (from self-employment, wage income, and income in kind), expenditure (production costs, food and non-food items), credit and saving behaviour as well as data on global happiness and life domain satisfaction. The basic selection criterion was the main economic activity of the household head and the number of households selected in each site was proportional to the participation of each community in RANQ (see Table 4.4 below). Since the survey was carried out a year later than RANQ some household demographics were updated.

⁵⁸ Section A.4.1 in the appendix reproduces the I&E questions used in this thesis.

⁵⁹ The survey had three rounds; only data from the first round was included in this thesis.

Table 4.4: I&E sample

Sites	Number of	Household distribution regarding the main economic activity of the household head from RANQ					
			-				-
		-					
						-	
						-	
			-	-		-	-
			-		-	-	-
Total	254	87	11	81	44	5	26

Source: RANQ

Given the limited space available in the I&E survey, questions on consumption and motives were reduced to two for both household head and spouse. The questions were placed after participants had answered about household food and non-food expenditure and focused on non-food priorities⁶⁰. They were designed following Clark's (2002) work in South Africa and deemed valid in the field through two pilot groups carried out in Nuevo Lugar in February 2005. A detailed description of the methodological implications of this type of question is presented at some length in Chapter 5, but for the time being it is sufficient to say that those two questions were replicated and triangulated in the qualitative phase of the thesis.

Figure 4.3 reproduces the two questions asked to the head of the household and the spouse. The treatment of the I&E data is described in Chapters 5 and 6 where it is used according to the analytical framework.

⁶⁰ In order to capture a broader spectrum of motives food expenditure was not included in the questions.

Figure 4.3: Motives and priorities in the Income and Expenditure Survey

5. What are the five most important non-food items or expenses (electricity bills, school fees, kerosene) purchased by the household? Why?

Household head			Spouse		
Rank	Item	Reasons	Rank	Item	Reasons

5.1. Which of these items is the most important (mark with a 1)
Which item comes second? (mark with a 2)
Which item comes third? (mark with a 3)
Which item comes fourth? (mark with a 4)

6. Imagine that you experience a substantial (twice as much) and PERMANENT increase in income, which five items or non-food expenses (electricity bills, school fees, kerosene) would you spend this additional money on? Why?

Household head			Spouse		
Rank	Item	Reasons	Rank	Item	Reasons

6.1. Which of these items is the most important (mark with a 1)
Which item comes second? (mark with a 2)
Which item comes third? (mark with a 3)
Which item comes fourth? (mark with a 4)

Source: WeD-Peru I&E first round.

4.4.3 Fieldwork: In-depth interviews and focus groups in Nuevo Lugar

Qualitative data on consumption priorities, motives and sources of information was captured through in-depth interviews and focus groups in Nuevo Lugar. I interviewed twenty seven people belonging to eighteen households of the 64 participating in the first round of the I&E survey who had agreed to take part in the research. I also organised three focus groups with thirteen people in total that took place towards the last stage of the data collection.

In-depth interviews: semi-structured questionnaire

Initially, the qualitative phase of the thesis was going to draw on unstructured interviews where respondents could feel free to lead the conversation on consumption patterns, motives and external influences to the topics that were most of their interest and on which they wanted to reflect or expand on. However, the topic guide (see section A.4.2 in the appendix) underwent major changes during the piloting phase due to the difficulties of engaging in flowing conversations. These stem from three types of reasons: external to the interviewer, internal to the interviewer and internal to the topic researched:

- External to the interviewer. People in my sample had already participated in previous research by WeD (RANQ, Quality of Life instruments, I&E) which used structured questionnaires so they expected a similar type of approach. Moreover, poverty and past experiences of political violence in Nuevo Lugar increased the traditional *desconfianza* (mistrust) of the Peruvian population (Wright-Revolledo 2004). This made it difficult for some participants to relax during the interview despite the fact that

Maribel (the field researcher who had administered WeD instruments during the previous year) was usually present and she had established rapport with most of the participants.

- Internal to the interviewer. The fact that I am a Westerner and a Spaniard, which is still somehow associated with past colonial domination and wealth, had an impact on how people wanted to portray themselves. It is common to show the 'self' they would like the interviewee to see which could vary from needy and deserving to self-sufficient and knowledgeable.
- Intrinsic to the topic of research. In a context of deprivation with very limited *room for manoeuvre* individual choices are usually felt less as a choice but as obligations in order to survive. Thus, they are a very private and sensitive topic that needs the proper environment and a certain level of trust to be disclosed. A clear sign of the participant's willingness to open up was the setting of the interview. Interviews carried out standing at the front entrance of the house usually indicated that the person was not willing to spare more time than necessary to answer closed-ended questions and that conversations or digressions would not occur. Being invited to sit, whether on a stone or wooden stool outside the house, or invited to enter the dwelling would clearly signal a positive approach to the research.

Transforming the instrument into a more structured questionnaire contributed to overcoming some of the challenges summarised before. The semi-structured questionnaire ended up having seven sections. It first collected household and personal characteristics and then it went to reproduce questions 5 and 6 (Figure 4.3) of the I&E survey on priorities of current and potential consumption, motives and ranking. After having introduced the topic through the already familiar I&E questions participants would feel at ease with the topic of the research, the researcher and the methodology used. They would then be more open to discuss and clarify their motives in depth as well as issues around sources of information, types of products purchased, characteristics of the retailers, etc. The questionnaire ended with a section on visions of the 'good life' and happiness to explore people's views on the two main theoretical approaches to wellbeing. It was also intended to shed light on the participant's view about the relationship between subjective and objective wellbeing together with the role played by consumption.

Making the questionnaire more structured implied not discussing about goods and services usually consumed but not thought to be priorities. Moreover, motives for consuming the same commodity are diverse and discussing priorities could lead to an implicit assumption that motives had to entail some value judgement about its adequacy. Triangulation seemed necessary in such circumstances and focus groups appeared the most suitable complementary method (refer to next section for a detailed description of the focus groups).

Since the objective of the qualitative phase was not as much inference but understanding issues around consumption and wellbeing in the slum, the sample was self-selected. The first round of the I&E survey asked participants about their willingness to participate in my research (refer to section A.4.1 in the appendix). 27 people belonging to 18 households of the I&E sample agreed to be interviewed which seemed sufficient for the purpose of this part of the research. All the households had collaborated in the RANQ questionnaire during the second semester of 2004 and earlier in the year; all but three had been involved in the psychometric exploratory instrument (ECB) of WeD-Peru.

Perhaps due to the fact that poor households are more dependent on the food WeD fieldworkers have traditionally offered in exchange for their time or the availability of the household members, the sample ended up a little skewed towards the poorest areas of the

slum. Drawing from RANQ, Table 4.5 shows how the fieldwork participants are less educated than the average of the slum, have worst housing and fewer assets.

Table 4.5: Selected household characteristics⁶¹

	Corridor (RANQ)	Nuevo Lugar (RANQ)	Nuevo Lugar (qualitative survey sub-sample)
Sofa ²	19%	36%	33%

Source: RANQ (2004), and fieldwork data (2005)

The initial objective was to interview the household head and the spouse of the eighteen households. However, five spouses declined to collaborate due to different reasons, from mistrust of the research to unavailability because of seasonal work. I finally interviewed the head of the household and the spouse of half of the 18 households. There were also 4 households headed by single women. The average age of the participants was 37, the eldest was 75 and the youngest 26. Most of the interviewees were women (58%) and Catholic (70%). The final 27 interviews lasted an average of 45 minutes and often took place at the participant's courtyard, sometimes in their business premises (two shoemakers, two small convenience stores and a hairdresser) or in their homes.

Focus groups

Focus groups “encourage subjects to speak freely and completely about behaviours, attitudes, and opinions” (Berg 2004: 111). They appeared to be a suitable method for the study of satisfiers in Nuevo Lugar for three reasons. First, interaction with peers would help to break the *mistrust barrier* and the fact that people had to commit to attend the meeting would also manifest their will to actively participate. Second, not having to focus the discussion on priorities would allow capturing additional things people spend on and discussing the sometimes diverging motives that one might have to consume a specific good. Third, focus groups were a good way of triangulating the results obtained through the I&E survey and the in-depth interviews.

However, focus groups present a power related problem as some participants might lead and monopolise the discussion. In settings like Nuevo Lugar it is quite common that people do not feel entitled to contradict neighbours or close friends to whom they might be somehow obliged (for instance neighbours that owe money to the shop owner who is also participating). In the context of Nuevo Lugar, focus groups came across as a good instrument to break the *mistrust barrier* allowing richer accounts of expenditure, motives and sources of information. Maribel and I encouraged participation of the people who were not enough integrated in the discussions.

⁶¹ (1) Identifies data at the individual level for the household head and (2) at the household level.

Focus group participants were selected through the snow-balling technique since one of the crucial aims was to overcome the *mistrust barrier* by gathering people that would feel at ease with each other. The requisite for participating in the groups was being a household head or a spouse deciding and carrying out a substantial part of the purchases. Together with Maribel we identified two families whom she trusted and could provide a room where to hold the meetings. Those two families were living in the lower parts of the slum which are relatively wealthy. This led to a sample slightly skewed towards the more educated as most participants had secondary or higher education (see Figure 4.4 showing the focus group participants' profile).

A middle aged couple who owned a grocery shop made arrangements to gather four friends each, but only three turned up at the time and place indicated. However, I still preferred to implement two focus groups due to the gender differences in priorities of consumption, motivations and sources of information found in the interview phase. A third focus group was arranged with Rachel, the 30 year old daughter of a relatively wealthy participant in the interview phase who gathered four of her girl-friends. Time constraints made it impossible to carry out a focus group with young male household heads or spouses. Hence, the first focus group included men aged 48-61, the second women aged 27-74 and the third women aged 20-30. Background information of the participants was collected including age, number of children, number of household members, education level, and years of residence in Nuevo Lugar.

Table 4.6: Focus groups household profile

	Age		Household Members		Education Level (years)		Years of Residence	
Group 3	26	20/30	5	2/6	18	18	8	0.2/18

The topic guide for the focus groups is attached in section A.4.3 of the appendix. The debate was structured around the question on priority expenditure included in the I&E and the topic guide (question 5 in Figure 4.3). However, not only priorities of consumption were collected. Participants were first required to list the things they usually spend their money on and questions about motives and sources of information would revolve around those expenditure. Once the list was generated, flash cards were distributed to help to guide the discussion on motives and sources of information. One side of the cards had reproduced in blue ink the most common motives that have arisen in the pilot groups earlier in the year, the in-depth interview phase and the literature review presented earlier in the thesis. The other side of the cards contained in red ink a list of the sources of information drawing on the above mentioned resources.

Participants were asked permission to record the meetings. The dynamics were introduced from the start and it was made sure that all respondents understood and consented in participating. Only one of the participants was illiterate and we read the cards aloud for her and expanded on the issues she would have difficulties understanding. In order for participants to better follow the course of the discussion the lists of consumption categories, the motives people declared and the sources of information they drew on were jotted down on a white cardboard hanging on the wall's room. In general the *mistrust barrier* weakened and participants felt free to express their views on consumption and determinants. Meetings usually lasted around 1 hour and 15 minutes and gifts were offered (usually one kilo of pasta) in exchange for people's time.

4.5 Issues of validity, reliability and inference

Issues of validity and reliability of the different measures and approaches used in this thesis will be discussed in more length in the next chapters where the analysis is presented. However, it is important to point out the general issues regarding accuracy of the constructs and transferability of findings.

4.5.1 Validity

Validity concerns measurements ‘truly’ recording what they intend to measure (Tashakkori and Teddlie 1998). Validity is measured differently in quantitative and qualitative studies: whilst the former use statistical tests or measures the latter draws on the soundness of the evidence (Ritchie and Lewis 2003). In qualitative studies measurement validity can be determined through different methods associated with content, concurrent, predictive and construct validity⁶². In terms of the indicators and measures used in the study of consumption and SWB, most are derived from well-established measures and a group of experts (internal and external to WeD) have evaluated their content, concurrent and predictive validity. Construct validity is detailed in chapter 6 by showing the cross-correlations between all the variables included in the regression. Correlations of measures that should be theoretically related are highlighted in the text as well as when the opposite occurs.

Issues of validity concerning the open-ended questions on priorities of consumption and motives included in the I&E survey are specifically tackled in Chapter 5. Psychologists have usually approached motives through multi-item constructs not through open-ended questions as it is the case in this research. This raises critical issues on content and construct validity that are described in the next Chapter.

Validity in qualitative research has slightly different implications. As Ritchie and Lewis (2003: 285) posit ‘validity is traditionally understood to refer to the correctness or precision of a research reading. In qualitative research it concerns the extent to which the phenomena under study is being accurately reflected, as perceived by the study population’. Validity has two dimensions, internal concerned with the success of the research to investigate what it claims and external concerned with applicability of the abstract constructs to other populations. The checks that are advised by Ritchie and Lewis to account for the internal validity of the research are summarised in the table below and commented on with regard to the empirical qualitative work of this thesis.

⁶² Content validity identifies the items that measure the intended content. Concurrent validity implies that the new instrument is highly correlated with well-established measures of the same construct and predictive validity is related to the ability to make predictions about specific outcomes of the construct (Tashakkori and Teddlie 1998: 83).

Table 4.7: Internal validity checks

Aspect	Question	Response
Display	Have the findings been portrayed in a way that remains 'true' to the original data and allows others to see the analytic constructions that have occurred?	Word limits in the thesis made it impossible to show all the necessary quotations to back the arguments. However, most significant claims are illustrated by quotations translated into English by myself.

Source: Adapted from Ritchie and Lewis (2003: 285)

External validation is related to triangulation of the results which has been done with priorities of consumption, motives and sources of information. The I&E survey and the in-depth interviews asked the same questions on priorities and motives with an average gap of a month. Focus groups also triangulated the findings since participants were asked to agree on a ranking of the five top priorities of consumption besides expressing their motives for consumption and the sources used.

4.5.2 Reliability and inference

Concerns with the reliability of the research relate to whether or not the findings would be the same if another study using similar methods was applied to the same population. They also imply that timing is important and responses might vary with regard to when they are collected. The latter is approached in this thesis by asking the same questions at two different points in time to a sub-sample of the participants. The former is partially dealt with by using standard questions included in similar surveys to the I&E in developing countries and comparing the findings. Moreover by using the focus groups to ask for priorities and motives for consumption from a slightly different approach from the one used in the two previous methods, the recurrence of the survey findings is confirmed.

Regarding generalisation (or external validity), in principle the quantitative study of this thesis can only be generalised to the population of the corridor, taking into account the particularities of the sampling method that sometimes includes particular neighbourhoods and not the whole site. Findings concerning the effects of consumption on SWB are always compared to previous research using representative samples of the Peruvian population (see Chapter 6). The similarities and differences from what has been found in previous research on SWB determinants allows for the confirmation of well-established findings (that income matters in poor settings, for instance) and identifies which issues need further research (mainly findings derived from the inclusion in the analysis of motives for consumption).

The qualitative study uses a wide variety of populations from the slum, from the poorer and recent migrants to the wealthier and first settlers. Without corresponding to a statistically representative sample it shows the reality of consumption in the slum, the types of products and services used as satisfiers and their likely impact on basic needs levels. The fact that the same questions were asked to I&E survey participants, in-depth interview and focus group participants allows for triangulation and 'representational generalisation' which implies that the findings 'can be generalised to the parent population from which the sample is drawn' (Ritchie and Lewis 2003: 264).

Regarding inferential generalisation, which means the potential for drawing inferences from a single study, this research follows Chronbach's approach to transferability of data (Cronbach 1975 cited in Ritchie and Lewis 2003: 268). He argues that generalisations from a study carried out in a particular setting 'should be seen as working hypotheses or extrapolations rather than conclusions'. Following this approach, Chapters 7 and 8 will draw conclusions for the shanty town population and working hypotheses when generalisation is feasible because other data or research point at the same direction.

4.6 Ethical implications

Ethical considerations have informed the instruments applied by the WeD group from which this thesis partially draws on. The University of Bath Institutional code of Ethics⁶³ and the ethical guidelines of the British Sociological Association, among others, have been taken into account when designing the different stages of the research (questionnaire design, sampling, implementation of the instruments and analysis and dissemination of data). However, there are specific issues that arise when working with poor communities since it is important to ensure that 'poor people are not objectified by the research or made 'victims' of the research process' (WeD 2004). WeD has tackled those issues by involving the country teams in the discussions. Those have resulted in country team ethic statements.

In Peru, the seven WeD sites (see next section for a full description of their characteristics) have been affected by exclusion and marginalisation from development and progress in the country. Indigenous, including Quechua speaking people, suffer from persistent discrimination at the bottom of a racially stratified country with an elite of Spanish speaking whites at the top and intermediate 'mestizo' groups in between. The sensitivity of the research is increased by the fact that most of the settlements in the sample (including the shanty town of Lima) were profoundly affected by the political violence

⁶³ The University of Bath code of ethics can be found at <http://www.bath.ac.uk/vc/policy/ethics.htm>.

associated with the terrorist groups MRTA and *Sendero Luminoso* (Shinning path) during the 1980s and 1990s.

In that very particular setting WeD Peru developed a set of strategies (WeD-Peru 2005):

- They chose field researchers who are all graduates in anthropology from the provincial university (UNCP) with intimate familiarity with and understanding of local culture, including two Quechua speakers for the areas where this was the most commonly spoken language;
- Field researchers lived in the sites for around one and a half years (time to implement the RANQ and the first round of the I&E) in order to gain people's trust. They were careful not to affect the social and cultural conditions of the participants avoiding taking part in discussions on internal conflicts, especially on political matters.
- Real names were never included in any of the reports and in any of the questionnaires, only household and members' codes were used for the analysis.
- Reciprocity (an Andean tradition of corresponding with material things to any service, help or gift received) (Mayer 2002) implied that people were offered a gift for the time they were participating in the WeD research. This gift had different forms in rural and urban areas. In the former coca leaves, cigarettes and soft drinks were sometimes offered whilst it was common practise to offer urban households some kind of foodstuff such as vegetable oil, rice or pasta.
- In exchange for participating in the research the WeD Peru team has offered to leave with the community qualitative and quantitative data on their resources and needs. They also offered to write a local history and organise the community documentation.

Despite the above-mentioned WeD group ethical considerations, my fieldwork faced additional ethical challenges. The first one was related to sampling as my goal was interviewing people that had participated in two of the WeD instruments (RANQ and I&E) so I could draw on objective information of the household on basic needs and expenditure. It would have been unethical to take as granted their consent to participate in the previous instruments as an indicator they would participate in mine. Thus, the first round of the I&E survey, which started a month before my visit, asked participants whether they would be willing to participate in my research on consumption practices. Only households who agreed were finally interviewed.

The wording of the question asking for informed consent (see appendix A.4.1) highlights the second ethical challenge in my fieldwork. Since the WeD Peru team wanted to avoid being associated with official agencies or any of the NGOs working in the communities and raise people's expectation about returns from their participation in the research, fieldworkers introduced themselves only as postgraduate students from the National University, although they also explained that their work would contribute to a book. Likewise I introduced myself as a Spanish PhD student rather than by explaining my affiliation to WeD.

The fact that people were asked about their consent to participate in my research prior to my visit to the field had as a result a sample skewed towards the poorest parts of the slum (refer to the previous section for a detailed description of the characteristics of the participants). This could be related to the fact that households would take for granted that additional surveys will entail more gifts (usually foodstuff) in exchange for people's

time⁶⁴. Consequently, as described in section 4.4.3, even with households that had given their consent, I did not try to prompt discussions when I would be given clear hints (like not being invited to sit down) that the interview was only instrumental for them to get free food.

4.7 The Peruvian corridor and the Peruvian slum

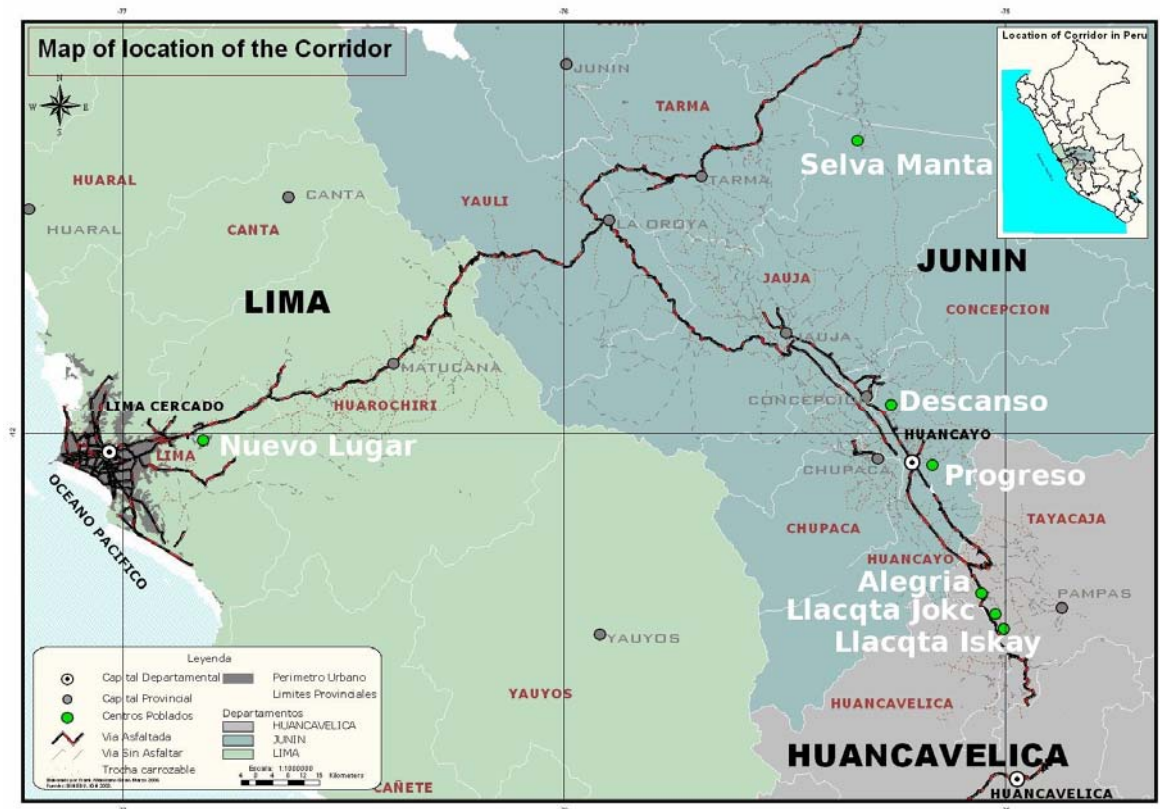
This thesis draws on data from very specific communities belonging to what WeD has named a 'Peruvian corridor'. The quantitative research on consumption and SWB uses RANQ and I&E data from the seven sites of the corridor. The qualitative research that explores the effectiveness of satisfiers focuses only on Nuevo Lugar. Carrying out the qualitative phase in one of the communities of the corridor meant that WeD quantitative and qualitative data from previous instruments would be available and could be used to support the validity of the findings. Hereafter, the main features of the seven communities are sketched. The characteristics of Nuevo Lugar will be described at more length in Chapter 7.

4.7.1 The Peruvian corridor

The Peruvian corridor is a concept developed by WeD to identify a set of communities running from the Andean Central highlands into Lima (see map below). It identifies not only geographical differences between the communities but different degrees of urbanisation, types of market, proximity to centres of political power, ethnicity and language. Differences in values across communities are also believed to be important and WeD-Peru has devoted an important part of their research on wellbeing to this theme (Copestake 2006b). Values are embedded in cultures and those are variable along the corridor. Andean peasant communities show a more collectivist approach and urban communities populated by rural migrants show a mix of ancestral traditional values and adaptation to modernity that did not always result in increased wellbeing (Yamamoto *et al.* 2005). This specially manifests in the *fiestas* (festivities) where shared joy and reciprocity lead to an increased feeling of belonging and contentment (Yamamoto *et al.* 2004).

⁶⁴ It should be noted here that RANQ shows that 56% of households in the slum had suffered from food shortages during 2005.

Figure 4.4: The WeD Peruvian corridor: Location map



Source: Altamirano (2006)

Llacqta Jokc, annex of Alegria in Tayacaja province.

This rural bilingual Quechua-Spanish speaking community, situated at an altitude of 3,400 metres in the Andean Central highlands, has a population of 212 people belonging to 48 families. It is a community of peasants with collective management of the land and some privately owned plots where some villagers are employed as labourers (Alvarez and Carhuallanqui, 2005). People grow barley, potatoes and peas. Livestock farming (cows, sheep, pigs, donkeys, horses, goats and guinea pigs) is also common. The majority of the crops are sold in the market of the neighbouring town Alegria that is held once a week. There are high levels of migration with people moving to Huancayo or Lima. Seasonal migration to work in the central jungle during the coffee harvest is also common from January to March (Alvarez and Lavers 2005).

The village has a nursery and a primary school. Most young people attend secondary school in the nearby town (Alegria) although levels of drop outs are very high. Those have resulted in a high rate of illiteracy, which is 52% for women and 48% for men. Most common diseases are infectious and a consequence of malnourishment. There is a surgery with two health practitioners but it is also common to draw on traditional medicine and remedies. As in most farmer communities in the Mantaro Valley, *Santiago* is one of the most important festivals together with the ancestral *Jalapato*, both occurring in July. The first is a Catholic related celebration as it takes the name from St. James' day on 25th July (90% of the villagers are Catholic), however, the structure of the festival is more related to popular Andean values of community and sharing than to the religious celebration of the life of a Saint. Both Santiago and the Jalapato require a relatively big organisational expenditure for the family in charge of the festivities (drinks, music band, food) which is in most cases supported by relatives who have migrated to the district or country capital city and return to the community for the celebrations (Yamamoto *et al.* 2004)

Llacqta Iskay , annex of Alegria in Tayacaja province.

This rural Quechua speaking village in the Central Highlands has approximately 365 people. It is a very remote village at an altitude of 3,300 that has only a rough track to the nearby Alegria. However, the train to Huancavelica can be taken from Izcuchaca which is within walking distance. Part of the land is private (bought by the villagers from big state owners) and part is owned by the community. Sales of agricultural produce (*maca*, potatoes, barley, peas, beans and garlic) are made in the village or in the market of Alegria and transported directly to Lima.

Out-migration has caused problems in the community in the past. It has lost around three-quarters of the population who were leaving for Lima, La Oroya (mining centre), Huancayo or the jungle (Copestake 2006b). Population has now stabilised, although it is still common to emigrate to the central jungle to work during the coffee harvest and to Huancayo or Lima to pursue secondary and further education.

The community has a nursery and a primary school. However, desertion is common due to parents forcing children to work in agriculture or animal rearing. Thus, many children do not complete primary education and it is common for children who do not finish primary or secondary education to get married at an early age. The village has a health post but it is not in much use. A doctor holds surgery once a month and two nurses open it twice a month. As in the nearby villages most illnesses are respiratory and infectious. The majority of people are Catholic and like in Llacqta Jokc and Alegria, Catholic festivities are merged with Andean traditions. This is the case of the Celebration of the Cross in May and the *Santiago* in July. The latter is by far the most popular in the community and as in the two other sites, attracts migrants who come back to the community to contribute with money and presents and join the celebrations.

Selva Manta, annex in a forest valley of Jauja province.

This is a small hamlet in cloud forest on the Eastern slopes of the Andes. It has about 560 Spanish speaking people who work mainly in agriculture producing coffee, sugarcane, bananas, maize, tomatoes and other vegetables. There is no communal land and it is usual to work as an agricultural labourer for the big *haciendas* (large plantation). Most of the inhabitants are second generation migrants from the villages of the Mantaro Valley. Seasonal in-migration is still common as is out-migration to Lima.

There are no health practitioners in the hamlet and people have to travel 10km for the nearest surgery. People draw on traditional medicine and herbal remedies to compensate for the lack of health care provision. Malnourishment is high in the village as 90% of children are reported to suffer from it (Alvarez and Carhuallanqui 2005b). There is an initial educational centre and a primary school and it is common for children not to go on to secondary education. 90% of people are Evangelical and this has an impact in terms of festivities and celebrations that are uncommon in the hamlet and usually reduced to the close family. However, most villagers attend traditional celebrations in the nearby towns. There is a high level of mistrust in the community due to the recent presence of the terrorist group MRTA (Movimiento Revolucionario Tupac Amaru)⁶⁵ causing constant fear and unrest.

⁶⁵ This was a revolutionary group from the radical left active during the eighties and the nineties. In 1997 they took the Japanese Embassy in Lima and held hostage diplomats, ministers and military officers for more than three months. Although it has practically disappeared from the country there are still some holdouts in the jungle.

Alegria, district town in Tayacaja, Huancavelica.

Around 5,440 people live in this peri-urban site between Llacqta Iskay, Llacqta Jokc and Huancayo. It is relatively well connected by the *carretera central* (central highway) linking the community with Huancayo (38 km) and Ayacucho, the two nearer district capitals. Although the main productive activity is agriculture (potatoes, *mashua*, *oca*, green beans, kidney peas, oats, wheat, maize and *maca*) and livestock farming, the weekly market that is held in the village attracts farmers from the nearby towns boosting the proliferation of petty trade and food sellers. Land is privately managed and owned. Migration is common among people finishing secondary school (often of a seasonal character) and usual destinations are Lima, Huancayo, the central jungle during the coffee harvest season and the mine sites in the nearby region of Junin.

The community has primary, secondary and vocational school facilities. However, those are deemed insufficient (25% illiteracy rate) and it is common for children to attend secondary school in Huancayo (Alvarez and Lavers 2005b). There is a health centre and two health posts but there is only one general practitioner and two obstetricians which is usually not enough to meet villagers' health care demands. Those are commonly related to respiratory and infectious diseases and malnutrition (which affects approximately 78% of children). The majority of the population are bilingual Quechua/Spanish and Catholic. As in Llacqta Jokc and Llacqta Iskay, people participate in religious festivities like the *Santiago* and ancestral celebrations (Alvarez and Jaurapoma 2005).

Descanso, district town in Huancayo province.

This Spanish-speaking Andean community in the Mantaro Valley has approximately 5,323 people distributed in an urban (53%) and rural (47%) area. The village is 12km away from Huancayo, the district capital and 3km away from the *carretera central*. It receives migrants from nearby villages due to the availability of schools and health facilities. There is also some migration to Huancayo and Lima and some families have relatives abroad. Agriculture is the most common activity (potatoes, maize, wheat, pulses and other Andean products) followed by livestock farming and other minor activities like craftsmanship, transport, civil servants and quarry workers, etc.

The village has a nursery, four primary schools and a vocational education centre. It also has a surgery with a doctor, an obstetrician and supporting staff. However, people still draw on traditional herbal remedies because they do not feel they are properly treated by health practitioners. The majority of the population are Catholics and religious celebrations are common. The *Jala Pato* like in Llacqta Jokc and the *Santiago* like in the other Andean villages are important festivities together with the *San Roque*, which is the biggest festivity where everybody gets involved either as a food seller or by participating in the traditional rituals. The latter involves contributing with food, beer or money which is not always a possibility for the poorest households. As in other Andean communities, migrants return to the village during the festivities and are usually the biggest spenders (Alvarez and Obispo 2005).

Progreso, neighbourhood on the edge of Huancayo city.

This is a small settlement on the barren hills by the city of Huancayo. It has around 8,250 people but WeD research was limited to two of the poorest neighbourhoods that account for approximately 1,560 people (Copestake 2006b). It is a relatively new urban community outside Huancayo created during the eighties by migrants running away from political violence and economic crisis in villages from the *departamentos* of Huancavelica, Ayacucho, Junin and Apurimac. Most people are bilingual, speaking Quechua Huanca or Huancavelicano and Spanish. 65% are Catholic and 45% Pentecostal. The area is still

receiving migrants and there is some out-migration to Lima, most of it of a temporary character.

Settlers' economic activities are mainly petty trade (street vendors and market vendors) and seasonal work following the agricultural cycle of the Mantaro Valley. There is a health centre with two doctors and supporting staff. Most illnesses are infectious and consequences of bad sanitary conditions and malnourishment (Alvarez and Reina 2005). There is one initial education centre but no primary or secondary schools in the slum which implies high desertion rate and adult illiteracy. Catholics in the community celebrate religious festivities (the festivity of the Cross and the *Virgen del Carmen*) and although there is music and dance, expenditure is modest and it is very unlikely that residents can provide any food or beverage.

Nuevo Lugar, the shanty town of Lima.

The biggest community in the sample is the shanty town of Lima which is also one of the geographical, economic and cultural ends of the corridor. Nuevo Lugar has approximately 83,000 people living in a sandy hilly area located to the west of Lima near the main highway to the Central Highlands (Alvarez and Lavers 2005c). It was created in 1984 by non-violent invasion by second generation of migrants from the Peruvian highlands. During the nineties and until now new migrants have settled there creating a geographical and economic divide between low and high areas of the slum. Aymara and Quechua are spoken by elderly settlers but people are largely Spanish speaking. The fact that the slum is a relatively new settlement results in few community celebrations and people giving a higher importance to family parties or the festivities of their original villages.

There is almost no agricultural land in the neighbourhood and people commonly work in the informal market as petty traders, running small business and working in public transport. Many are domestic servants and some are also employed in nearby factories or in the Andean mines. The slum has good communications with central Lima, accessibility to modern markets and availability of a wide range of education and health care services (Manrique 2002). The political characteristics of the slum, affected by the Shinning Path violence during the nineties, and the characteristics of the infrastructures available to the population will be described in more detail in Chapter 7.

4.8 Conclusions

This chapter has introduced the empirical work of the thesis, setting the research questions, the analytical framework and the general methodological approach. The different epistemological and ontological implications of the two general research questions result in the use of a mixed methodology. This allows for the study of the impact of consumption on wellbeing from the objective and subjective angle. It also facilitates inference and generalisation together with depth and understanding. The Chapter finishes with a brief description of the context of the research outlining the characteristics of the communities of the Peruvian corridor.

The next two chapters constitute the first empirical part of the thesis. Chapter 5 presents a descriptive analysis of patterns of consumption in the corridor and the content analysis of expenditure priorities and motives. Chapter 6 aims at analysing what aspects of consumption affect SWB and how. This is done through the study of happiness determinants including expenditure and motives, thus capturing economic and psycho-social dimensions of consumption. The second empirical part of the thesis will follow in Chapter 7 where the three-step approach to the research on satisfiers is introduced together with the visions of the 'good life' of people in Nuevo Lugar. This will lead to Chapter 8 where the analysis of people's narratives on basic needs driven consumption will show the type of satisfiers people are using and their effect on wellbeing.

5 What motivates consumption? The what and why of consumption expenditure in the Peruvian corridor

5.1 Introduction

This chapter has two objectives. The first is to present and discuss the methodology followed in the collection, transformation and analysis of motives for consumption in the Peruvian corridor. This includes a discussion of the adequacy of the open-ended questions on motives in the I&E survey. It also depicts the process followed to code and generate the factors that will be used in this chapter to describe priorities and motives for consumption and in Chapter 6 as independent variables explaining happiness.

The second aim is to describe priorities of consumption and the associated motives in the Peruvian corridor. What people prioritise and what they would like to spend their money on if they experience a permanent increase of income and why is analysed. Relating motives with priorities of consumption explores, among other issues, the role of basic needs as drivers of consumption and how this would change if income constraints loosen. It also contributes to understanding the role of the less frequent motives, whether their low incidence is due to income constraints or to other factors.

This chapter is organised as follows. First, it goes through the methodological issues that arise from the motives questions included in the first round of the I&E survey in Peru. This links back to the discussion about psychologists' research on motives for wanting money presented in Chapter 3. Next, it explains how the motive and priority variables were constructed followed by the description of priorities of consumption and motives in the corridor. Lastly, it depicts patterns of consumption and compares them to participants' felt priorities and the broad picture derived from national statistics on consumption. Knowing what people spend most of their money on, what they prioritise and why it's a first step towards understanding how consumption affects wellbeing, which will be dealt with in Chapter 6.

Finally, it is worth noting here that in this and the following chapter the economic dimension of consumption will be approximated by expenditure. There are clear limitations of this approach since consumption of durables is not always captured as their use expands beyond the period of the expenditure. Moreover, expenditure does not capture processes, which will be explored in Chapters 7 and 8 through a qualitative study in Nuevo Lugar. Finally, it should be noted that in this and the next chapters the data used is from the first round of the WeD Income and Expenditure Survey carried out in July 2005 so further extrapolations should be made with caution.

5.2 Capturing motives in the Peruvian corridor: Methodological issues

5.2.1 A bottom-up approach to motives for consumption

Chapter 3 reviewed psychologists' empirical studies on motives for wanting money or financial success. Despite the controversy between the importance of the goals pursued and the motives behind it, all the studies followed a very similar methodological approach. The main characteristics are summarised hereafter.

1. A '*top-down perspective*' to research people's goals and motives. Kasser and Ryan (1993) followed a 'top-down' approach and associated aspirations for material wealth to externally motivated behaviour. They justified their association drawing on the work of Maslow (*op. cit.*), Fromm (1976) and other humanistic theories arguing that 'inasmuch as money represents an external incentive for behaviour that is contingently given, these theories suggest the pursuit of money may distract from actualization and be associated with greater distress' (*ibid.*: 410). They complemented

the theoretical arguments with their own and other psychologists' empirical findings linking greater distress to the pursuit of material goals.

When Carver and Baird (*op. cit.*) investigated the issue of the importance of motives, they drew on the four classes of motivations of Deci and Ryan's Organismic Integration Theory (OIT). The latter together with their own theoretical knowledge was used to design the final items associated with reasons for wanting material success. Srivastava and colleagues (*op. cit.*) also followed a 'top-down' approach. They drew on Furham's (1984) scale of beliefs and behaviours about money to identify potential motives for wanting money which they turn into questionnaire items through brainstorming sessions with researchers. In none of the studies were participants asked in an open-ended manner about the reasons they had to pursue financial success.

2. *Applying their studies to very specific populations in the US.* The work on motivations to pursue money surveyed in Chapter 3 has focussed on young highly educated people in the US. Most of the participants were attending or had attended higher education institutions and were teenagers or in their early twenties. Only one of the studies by Srivastava and colleagues did not address students but focussed on entrepreneurs affiliated to an American university centre.
3. *Deriving categories of motives or goals following statistical analysis techniques.* Although items identifying different type of motives are theoretically derived or draw from previous empirical studies on different populations, the final categorisation of motives is usually done using factor analysis. Factor analysis is 'a statistical technique that allows to condense or summarise complex sets of inter-relationships between several or many variables in terms of a simpler underlying structure' (Sturgis and Allum 2005). Even studies inspired by the OIT use factor analysis to confirm that specific items group together into the theoretically identified categories of motives (external, introjected, identified and intrinsic).

These psychologists' approaches to motives for wanting money are not appropriate for my research on motives for consumption in Peru. First of all, motives for wanting money are different from motives for consumption. Thus, even if the items were to be theoretically grounded they would have to draw on the different approaches to consumption summarised in Chapter 2 and not on the content-related motives of Srivastava and colleagues. Using the OIT classification of intrinsic and extrinsic motives would have only been possible with highly educated samples used to such type of surveys and inquiries. A second problem is the type of population addressed by my research. None of the previous studies on motives tackled motivations in a deprived setting. Among materially deprived people, consumption is a sensitive topic which might require a less intrusive or qualitative based approach. Moreover, when the levels of literacy are low and people's analytical thinking follows non-Western parameters it is unlikely that a predefined list of motives for consumption would yield valid results.

This chapter presents hereafter how this thesis has approached the challenge of researching people's motivations in the Peruvian corridor through an open-ended question. This implies that motives for consumption will be pinned down following a 'bottom-up' strategy where people's narratives as to what motivates their consumption will constitute the primary data for the analysis. Due to the qualitative nature of the data and the structure of the questions used, their content will be analysed drawing from the theories of consumption and wellbeing surveyed in chapters 2 and 3. Thus, the 'bottom-up' strategy followed here to extract people's motives for consumption will be confronted

with the social science theories of consumption and wellbeing in order to derive typologies of motives.

5.2.2 The motives questions in the I&E

As outlined in Chapter 4, the I&E survey was structured around seven main topics: household income, expenditure, saving and credit, income expectations, global happiness and need domain satisfaction. The questions on motives were placed at the end of the section on expenditure after inquiring on non-food expenditure and unlike the rest of the survey they were open-ended. They were posed to the household head and the spouse. Both were asked about their five current and potential priorities of non-food expenditure⁶⁶ and the motives for prioritising them. Once this was done they had to rank priorities (see figure below) from the most to the least important.

Figure 5.1: Motives and priorities in the Income and Expenditure Survey

5. What are the five most important non-food items or expenses (electricity bills, school fees, kerosene) purchased by the household? Why?

Household head			Spouse		
Rank	Item	Reasons	Rank	Item	Reasons

5.1. Which of these items is the most important (mark with a 1)
Which item comes second? (mark with a 2)
Which item comes third? (mark with a 3)
Which item comes fourth? (mark with a 4)

6. Imagine that you experience a substantial (twice as much) and PERMANENT increase in income, which five items or non-food expenses (electricity bills, school fees, kerosene) would you spend this additional money on? Why?

Household head			Spouse		
Rank	Item	Reasons	Rank	Item	Reasons

6.1. Which of these items is the most important (mark with a 1)
Which item comes second? (mark with a 2)
Which item comes third? (mark with a 3)
Which item comes fourth? (mark with a 4)

Source: WeD-Peru I&E first round.

⁶⁶ As expected, and confirmed through the pilot groups undertaken in Nuevo Lugar prior to the administration of the survey, food is the most important expenditure for poor households. However, given that the questions on motives were included on the I&E, a quantitative questionnaire, and I had limited space and time allocated for my questions I decided to exclude food thus allowing for other categories and probably motives to be captured.

The two questions reproduced in Figure 5.1 were designed following Clark's (2002) study on the meaning of development in two South African communities. He used similar questions to enquire about the importance of income and wealth and the reasons for valuing it. He also applied the same approach to ask about respondents' top spending priorities in the event of a substantial increase of income although he did not investigate the motives for choosing them.

In order to reach the final wording of the questions in Spanish and check out the potential problems that could arise, the questions were first tested through two pilot groups in Nuevo Lugar and later in the seven sites of the corridor during the final piloting phase of the Income and Expenditure survey. In general, respondents could understand both questions and could give accounts of priority expenditure and motives. A few participants felt puzzled when asked about the reasons why they spend on what they would call basics. They would deem the motives obvious and not expand much on them.

The second question regarding a hypothetical permanent increase of income posed some challenges. Some people, usually middle-aged or elderly, could not imagine that a change in their economic status (finding a job, having more harvest or land to plough, etc.) could ever happen. Moreover, the Income and Expenditure Survey came to the field after a year and a half of WeD fieldwork and participants were tired of being asked similar and somehow 'intrusive' questions. The impressions of one WeD field researcher illustrates that:

Manuela ... It was difficult for participants to imagine a raise of income. People here live life with intensity drawing on what they have and is available to them. Imagining a substantial increase of income is complicated because it might never happen so they answer the question thinking of what they have and do. For instance, if they are fixing their house or are planning to do some works they answer that they would use the money to renovate their house.

Manuela's remark points to the fact that participants might not refer to extravagant purchases when they answer about the things they would spend on in the event of a permanent income rise. However, this does not deem the answers invalid since the objective was to collect realistic accounts of the destination of expenditure.

Finally, it is well accepted that people's behaviour is multi-motivated and that they spend on goods and services that are not felt as priorities. The former is a limitation of this section that will be partly compensated by the in-depth analysis of consumption undertaken in Chapters 7 and 8. The latter is also tackled in the two last empirical chapters through focus groups discussing all items and services commonly consumed by participants. It is also approached later in this chapter by comparing priorities of consumption with declared patterns of consumption.

5.2.3. Validity, reliability and inference

As reported in Chapter 3 and in section 5.2.1 of this chapter, psychologists researching on motives for wanting money or financial success do not typically choose open-ended questions in their research on motives. They usually draw on existing research and theoretical knowledge to design a range of items that define motives. Moreover, participants in psychology research are usually Western university students to which complex closed ended questionnaires are relatively easy to understand.

Asking about motives for consumption using instruments that have not been tested in the specific context of Peruvian poor rural and urban communities would have presented serious validity problems. With only 54% of the RANQ sample having completed

primary education it would have been almost impossible to apply one of the complex instruments used by psychologist when capturing motives without an extensive piloting phase that was not feasible in the context of the WeD-Peru sites. Thus, a bottom-up approach based on open-ended questions, ethnographic data and consultation with local experts seemed the most suitable strategy.

The validity of the open-ended question on motives is questioned by the claim that individuals are not always able to identify the causes of their own actions. Motives are not always conscious nor are behaviours singly motivated (Maslow 1970). Moreover, people's motives are verbalised in different fashions and their personal and community values often mediate their answers. As Mook (1996: 23) posits when justifying indirect approaches to motivation research:

'Just asking can give us misleading answers because we simply are not always able to identify the causes of our actions. On the other hand we also know that the answers we get can be accurate and useful. The real problem is to know when they are likely to be accurate and when not, and why.'

As Mook claims, sometimes simple open-ended questions are the most suitable to capture valid answers, the key is to know when this is the case. With regard to the motive questions validity was probed in the piloting phase, discussions with field researchers⁶⁷ and being open about the possibility that both motives and goals of consumption might be captured through the 'why' questions. As mentioned before, the latter is an open debate but in general it is accepted that even using accurate psychological instruments it is not always feasible to distinguish between the two (Sheldon *et. al.* 2004)

The difficulties of distinguishing between motives and goals amplify when the research focuses on consumption. Buying food to feed one's family could well be collecting the motive and the goal of the expenditure. Since the aim here is to capture a psycho-social dimension of consumption, the distinction between motives and goals becomes a secondary concern. Moreover, as West (2006) posits, motives are tightly linked to goals and even the intensity with which they are felt depends on 'the intensity of the emotional state attaching to the mental representation of the target' (West 2006: 151)

As described in Chapter 4, the questions on motives were placed after participants had been asked about non-food consumption. This implied that people were already reflecting on issues around purchases and expenditure when they were posed the questions. Moreover, the fact that the WeD fieldworkers had a long experience of research in the field and were not seen as strangers allowed for a verbalisation of motives less driven by the image of the self they would be portraying to a stranger. Lastly, that only one motive was considered is clearly simplifying the roots of people's actions. However, the fact that people have to chose a main reason for prioritising specific goods brings up the way this person juggles personal drives, values and other institutional constraints. This is the type of information needed for a study of consumption that goes beyond the impact of expenditure or other economic measures.

The *reliability* of the motive could be checked if a similar study was applied to the same population. As mentioned in Chapter 4, the motives questions were also implemented

⁶⁷ For instance the use of flash cards to illustrate categories of expenditure of motives was discarded by field researchers as they considered it would shift people's attention from the content of the question to the appeal of the drawings in the cards.

during the qualitative phase in Nuevo Lugar and asked in a slight different way in the focus groups in the same community. This confirmed the reliability of the findings in the I&E in the urban slum but triangulation was not possible in the Andean and cloud forest sites. However, the descriptive analysis of motives and priorities presented later in the chapter will compare the results with the contextual information about the communities collected by WeD (mainly through RANQ and community profiles) as well as with alternative secondary sources. This will enable to contrast the reliability of the findings.

With regard to *inference* this should be reduced to the Peruvian corridor bearing in mind that it does not include a representative sample of the integrating communities (see section 4.4.1 in Chapter 4). However the corridor communities are not unique; there are many rural villages, peri-urban towns and urban slums in Peru that show similar socio-economic and political background. Without drawing conclusions that embrace the whole country, findings on the corridor sample can provide lessons on the effect of consumption on wellbeing; illustrations to inspire further empirical research and conceptualisations.

5.3 Generating the motive variables

Using open-ended questions to capture motives not only poses the challenges mentioned in the previous section, it also implies coding and generating the variables that will be used in the statistical analysis. Coding is a time-consuming job that risks the researcher misinterpreting the data and therefore misclassifying a response. Creating the motive variables is also complex due to the statistical implication of the methods employed to collect the data. This section discusses these issues.

5.3.1 Coding motives: A theoretically informed approach

Six months prior to the implementation of the I&E survey, two pilot groups were carried out in Nuevo Lugar⁶⁸. They were used to test the adequacy of the motive questions and provided initial information on the type of priorities and motives that could arise later in the I&E survey (refer to Chapter 4 for a description of the pilot groups dynamics). Those concerned basic needs (their own or their children's), relating with others, keeping or improving one's status, identity building and hedonic feelings. Customs or traditions did not come up in the pilot groups since those are not as relevant in the everyday life of slum dwellers as they are in the Andean communities.

Table 5.1. below shows the priorities and motives brought up by participants of the two pilot groups in Nuevo Lugar. It illustrates the type of answers one could expect to obtain in the final phase of the I&E survey. It also associates the content of the participant's responses with preliminary categories derived from the different aspects of consumption addressed in the literature review (chapters 2 and 3).

⁶⁸ The two pilot groups were arranged by Maribel Arroyo, the WeD field researcher in Nuevo Lugar. She had contacted two key informants who gathered three neighbours each resulting in two pilot groups of four people (household heads or spouses). In order to obtain a wider range of motives, the pilot groups took place in two different zones, representing the poorest and the richest areas in the slum.

Table 5.1: Priorities and motives in the pilot groups of Nuevo Lugar

Priorities of non-food expenditure	Motives given by participants	Preliminary categories of motives
	,	
	,	
	, ,	
Furniture	'It is needed to sit down' 'Furniture is important because when you have a gathering, they decorate the room', 'It is good for people not to say that you do not have furniture' 'In order to be able to receive visitors' 'It is nice to see the room decorated with furniture'	Personal basic need Improve or maintain social position Improve or maintain social position Facilitating relatedness Aesthetic pleasure/enjoy

Source: Pilot groups in Nuevo Lugar, February 2005.

Associating people's accounts to theoretically meaningful categories entails a certain degree of subjectivity. In order to reduce the chances of misinterpreting people's motives, unclear explanations in the I&E survey were codified drawing on information about the participants and their communities from other WeD instruments such as RANQ and

community profiles as well as secondary information about the Peruvian society, culture and economy. Moreover, feedback from members of the WeD-Peru team facilitated the task of linking people's accounts to specific categories.

This approach to coding motivations is theoretically informed. It is based on two open-ended questions that capture participants' motives for consumption. As they arise in the analysis they are codified following the theories of consumption and motivation depicted in Chapters 2 and 3. In general, and due to the socio-economic characteristics of the sample, most people declare spending on goods and services related to Maslow's physiological needs and safety needs. Others include in their accounts issues related to the culture, society and/or community in which they live and some even report being driven by hedonism in their priority expenditure. I now turn in some detail to the categories of motives that emerged.

a) Basic needs: motives linked to the THN basic and intermediate needs

As expected, household member's needs were the most popular motive associated to priorities of consumption in the corridor. They would be personal; children's or other household members' needs and in general people would not expand much on them. Some participants used words like *necesidad* (need), *imprescindible* (essential), *basico* (basic), *importante* (important) etc. in order to underline that the expenditure was essential for them.

The use of an emphatic word was not sufficient to categorise a motive as a basic need. The category it was associated with was also taken into account. Expenditure related to the basic or intermediate needs of Doyal and Gough's Theory of Human Need (THN) and deemed essential by respondents for participation in their community was included under this label⁶⁹. The reasons why Doyal and Gough's THN was used as the theory against which people's responses were confronted were threefold.

- a. First, the THN is a basic needs theory not a theory of motivations so it does only consider universal requirements for social participation but goes beyond physiological and safety needs to include autonomy related requirements such as education and significant primary relationships. Answering the priority questions participants were doing a value judgement about what was necessary for them to function in their society so it was justifiable to use a normative theory of needs as a reference.
- b. Second, the basic and intermediate needs of the THN are easily related to everyday consumption so it was relatively simple to identify expenditure with the THN universal satisfiers or intermediate needs.
- c. Finally, the analysis of happiness determinants in Chapter 6 uses an indicator of household intermediate needs deprivation following the THN. Thus, the fact that basic needs are only categorised as such if the related expenditure is linked to a THN intermediate need facilitates future

⁶⁹ Thus, expenditure related to physical health and autonomy linked to the eleven intermediate needs (adequate nutritional food and water, adequate protective housing, non-hazardous work and physical environments, appropriate health care, security in childhood, significant primary relationships, physical and economic security, safe birth control and childbearing, and appropriated basic and cross-cultural education) would be identified with basic needs motives.

comparisons of the basic needs levels of the household with the extent to which their expenditure is motivated by them.

For instance, expenditure such as household appliances or cars would be interpreted as being motivated by felt-basic needs if the respondent considered them essential to satisfy any of the THN intermediate needs. A fridge would be essential to preserve food and satisfy the intermediate need for 'adequate nutritional food' and a car could be indispensable to guarantee economic security working as a taxi driver or in order to gain access to the markets to sell their crops. Insufficient availability of public transport in most of the rural communities meant that the few people who had bought or would like to buy a car reported the motive as linked to economic security.

It is worth noting, as described in Chapter 3, that the THN focuses on universal prerequisites for social participation and although open to discuss local understandings of basic needs does not stress the role of community, social relations, identity and status beyond what is believed to add to 'significant primary relationships'. The latter are described as 'a network who provides and educative and secure environment' (Doyal and Gough 1991: 207). Following this definition only expenditures that are reported to be motivated by keeping or improving close family relations will be included under basic needs. Expenditure motivated by abiding to social rules, building one's identity or social positioning will be classified as 'socially related motives'⁷⁰.

b) Enjoyment, having good experiences

As Veenhoven (2003: 437) says 'hedonism is used in several contexts. In moral philosophy it denotes the view that a good life should be a pleasurable life. In psychology it stands for the theory that pleasure seeking is a main motivator of human behaviour'. Chapter 2 reviewed the work of social scientists that construct their theories of consumption relying on the natural drive of human beings for pleasure. Individuals' natural search for pleasurable experiences was used to explain the dynamism of consumption in Western societies (Scitovsky 1986; Campbell 1998b). It was also seen as a result of the search for immediate compensation for everyday's insecurities and temporalities (Bauman 2001).

Having fun and amusement is an internal feeling of the individual that it is usually genuine and fulfilling. Consequently, these type of motives are intrinsic (Ryan and Deci 2000) and result in self-actualisation. They are usually linked to leisure and thus constitute what Srivastava and colleagues called positive motives. In the Peruvian corridor hedonic feelings are often present when talking about current expenditure on celebrations or ceremonies in the Andean communities. They are also mentioned in the event of a potential permanent increase in income linking them to trips, soft drinks and eating out. However, enjoyment and hedonic feelings are not only searched through leisure activities. Spending on furniture would also be due to positive feelings such as aesthetic pleasure of having a pretty house or the pleasure of being comfortable in one's house.

⁷⁰ This decision is made for the sake of conceptual consistency so basic needs in this quantitative part of the thesis are understood as relating to the basic or intermediate needs of the THN. It is quite likely that relatedness, identity building and social positioning are also felt as basic needs in the Peruvian communities. However, they were never included in the THN and the fact that they incorporate values and constraints beyond the family domain might justify studying them separately. The descriptive analysis later in this chapter will highlight the differences and/or similarities between the two categories.

c) Socially related motives

Social interaction drives much of people's behaviour. Consumption is socially embedded due to its symbolism, what the person intends to say with goods and services and how the others perceive the message. People consume to relate to others in equal or superior terms, to compensate for childhood scarcity, to be respected in their own society. Those motives are somewhat internally caused and people in the Peruvian corridor value them as an integral part of themselves even if through in-depth conversations they would acknowledge that they are guided by forces external to the self. Motives under this category have in common a certain degree of interaction with one's socio-cultural environment and were initially coded under three different headings: relatedness, social positioning and identity building.

Relatedness, is a subcategory linked to anthropologists' work stressing the role of consumption as facilitator of social relationships. As Douglass and Isherwood (1978) maintained, goods intermediate interpersonal relationships through rituals appropriate to particular circumstances. For instance, in the corridor people would argue that they buy furniture to have an adequate room to host social and/or family gatherings. What would be a proper or an accepted type of room would depend on what is seen as such in the different communities; in some would imply having benches and a table and in others a sofa and a CD player.

Social positioning, concerns the fact that consumption is not driven by the utility that individuals derive from goods and services but from the impression that they generate on others. This is in line with the work initiated by Veblen in 1899 and followed by many social scientists working on positional goods and social differentiation pointing at social comparison as the origin of an increasing amount of expenditure. In the corridor, improving or maintaining one's social position was argued as a motive for spending on education, clothes and housing.

Creating a new identity through goods is especially relevant in a society where marginalisation and exclusion related to race and rural background is at play (Huber 2002). Building an identity that detaches people from their indigenous background, that 'whitens' them, is key to having access to certain social and material resources. As Colloredo-Mansfeld (1999: 200) states referring to people living in the Ecuadorian Andes 'by discriminating among the world of goods, people distinguish among each other and naturalise their position in a class-divided society'. In the corridor identity related motives were commonly argued when explaining expenditures on education and clothes.

The fact that the three type of motives were capturing different aspects of people's interaction with their social environment justified clustering the three in one general category. Although the aggregated variable (social related motives) will be largely representing people's struggle to feel respected (65% of the 'social related motives' are linked to social integration), relatedness (22%) and social positioning (13%) will also be addressed in the analysis.

Finally, it is interesting to note here that *socially related motives* is a general construct that includes some of the 'negative motives' of Srivastava and colleagues (*op. cit.*) (refer to table 3.3. in Chapter 3) such as 'social comparison' and 'overcoming self-doubt' together with 'positive motives' such as 'pride'. Since they usually depend on others' approval they are likely to be negatively related to SWB (Ryan and Deci *op. cit.*).

d) *Customs, tradition or habituation*

As described in Chapter 4, in the Andean communities there is a relative (although weakening) strong sense of community and participation in communal *faenas* (works) and local festivities. The latter sometimes implies a great deal of expenditure from food and alcohol to music bands, which is mostly made by the host family or families. It also entails some type of contribution by guests and invitees that will usually be in the form of beer cases but could also be more substantial if one is a close relative or has developed a strong bond with the host family (Yamamoto *et al.* 2004).

Whilst participation in festivities is usually perceived as leading to enjoyment and fun it sometimes becomes an obligation in the rural Andes. Organising a *Santiago* (the Andean festivity celebrating wellbeing and fertility of the livestock) or a *Jalapato* (typical Andean festivity) entails that the *padrinos* (the host family) live an austere life for a year in order to pay for the expenses of the festivity. There is a clear external threat attached to bad organisation or to a refusal to organise the celebration and this is social exclusion and losing face and respect in the community. Yamamoto and colleagues (2004: 3-4) give an example of this in their description of the *Jalapato* in Llacqta Jokc.

‘A 24 year old young man took on the responsibility [of organising the Jalapato the following year] and became the *padrino* of the festivity together with his partner. She refused to take on the position of *madrina* arguing that it was a purposeless expenditure which resulted in the young man considering resigning his position as *padrino*. This was not accepted by his family who argued that they would lose face in front of the community and would be heavily criticised. Then, his mother took over and become the *madrina* contributing to the organisation of the festivity with the economic support of other villagers’.⁷¹

Thus, expenditure that is perceived to be externally originated and is declared to be so is classified under this category. They are mainly related to participation in festivities or family events but in some cases are caused by compulsory spending (for instance in school materials) that is seen as a nuisance regardless of the potential benefit for the household members. The explicit distinction between ‘socially related’ motives and ‘custom’ motives is important here because five of the seven communities of the corridor are Andean and most of them still hold quite strong communitarian values (Colloredo-Mansfeld 1999; Mayer 2002). Psychologists have found that the latter have a negative impact on SWB (Ahuvia 2002).

⁷¹ In Spanish in the original.

5.3.2 Coding priorities

Priorities of consumption were initially coded as they came along in the analysis grouped by micro-categories like crockery, school fees, school uniforms, allowances, etc. Once all the priorities in all communities were coded they were included under the broader groups that the *Instituto Nacional de Estadística e Informática* (INEI) in Peru uses for the analysis of consumption patterns (INEI 2001). This re-grouping facilitated statistical analysis and comparisons with data on patterns of consumption that were also classified following the INEI categories.

As Table 5.2. shows the INEI (*ibid.*) does not include public health and education among the expenditure components since there are not available estimations for the prices of those services that would allow for their valuation. Since the I&E survey enquires about education and health expenditure and households talk about them as priorities of non-food expenditure, they are included here. The INEI category 'leisure and education' has been changed for 'education' since most of the priority expenditure under this category is related to school fees, uniforms and school materials. The inclusion of 'trips' and 'going out' under this label does not alter the results much since they only arise as priorities for a minority of households in some urban and peri-urban areas (mainly in Nuevo Lugar).

Table 5.2: Classification of non-food consumption categories

INEI and WeD- I&E Non-food consumption sub-categories	INEI Categories											
												Allowances
												Taxes
												Food obtained from organisations
												Reparations
												Furniture
				Sport gear								Cigarettes
												Crockery Ceremonial expenses
												Transfer gifts
												Jewellery

1. Public and private education expenditure is only included for the WeD sites

2. Includes private and public health care expenditure only for the WeD sites, for the INEI data it only consists of services not included in the national health service.

Source: INEI (2001)

5.3.3 Generating the motive and priorities variables

Following the categories and motives described in the previous section, four motives variables (basic needs, enjoyment, socially driven and custom) and seven categories of priority expenditure (see table 5.2. above) were created. They will be used later in the chapter in the descriptive analysis of priorities and motives for consumption. The motive variables will be the key variables in the regression analysis of Chapter 6 as they will add the qualitative information about the meaning of expenditure that is not captured through the amount of money people spent.

I generated two types of variables to use at different stages of the analysis: ordinal (model a) and dichotomous (model b). Most of the analyses in this and the next chapter have been done using the ordinal variables. Ordinal variables were created in order to collect the information about the ranking that participants gave to different priorities of consumption and the associated motives. Those variables show values ranging from 0 to 15, where 0 indicates that the motive is not associated to any of the expenditure priorities of the participants and 15 indicates that it is associated to all of the categories prioritised.

Model (a)

The procedure to generate the ordinal variables followed Clark's (2002: 168) treatment of the responses to similar questions. A weight for each motive for each person was calculated assigning to the first motive the highest weight (5) and to the fifth one the lowest (1). The same procedure was followed to generate the variables representing priorities of non-food expenditure. The generation of the motive variables is presented formally and through a real example hereafter.

Let us call M_j motives for consumption where ($j = 1...4$) and

$j = 1 = \text{basic needs}$

$j = 2 = \text{enjoyment}$

$j = 3 = \text{socially driven}$

$j = 4 = \text{custom}$

Participants in the I&E survey ($i = 1.....508$) declare up to 5 priorities and motives for consumption and they rank them ($z = 1...5$). For each rank it is assumed a score S_z from 1 to 5 where $S_1 = 5$; $S_2 = 4$; $S_3 = 3$; $S_4 = 2$ and $S_5 = 1$.

From individuals' responses an index (M_{ij}) of the relevance of motive (j) for individual (i) is defined as follows:

$$M_{i,j} = \sum_{z=1}^5 S_z * m_{z,j} , \text{ where } m_{z,j} = 1 \text{ if motive } j \text{ occurs in position } z \quad (a)$$

$$m_{z,j} = 0 \text{ otherwise}$$

For each individual we can, therefore, generate a vector of motives for consumption VM_i where $VM_i = (M_{i,1}; M_{i,2}; M_{i,3}; M_{i,4}; M_{i,5})$

For example, let's take a participant from Nuevo Lugar, Maria, who answered five priorities of consumption and the four first ranked priorities were associated to basic needs as in the THN and the fifth to status or identity.

Table 5.3: Maria's priorities and motives for current consumption

Rank (z)	Category of priority	Maria's motives	M_j
5	5 = Clothes	'For my children to go to school with a good uniform'	3 = Socially related

Maria's vector of motives would be generated from the above information following (a).

$$M_{Maria,j=1} = (S_1 * 1) + (S_2 * 1) + (S_3 * 1) + (S_4 * 1) + (S_5 * 0) = 5 + 4 + 3 + 2 + 0 = 14$$

$$M_{Maria,j=2} = (S_1 * 0) + (S_2 * 0) + (S_3 * 0) + (S_4 * 0) + (S_5 * 0) = 0 + 0 + 0 + 0 + 0 = 0$$

$$M_{Maria,j=3} = (S_1 * 0) + (S_2 * 0) + (S_3 * 0) + (S_4 * 0) + (S_5 * 1) = 0 + 0 + 0 + 0 + 1 = 1$$

$$M_{Maria,j=4} = (S_1 * 0) + (S_2 * 0) + (S_3 * 0) + (S_4 * 0) + (S_5 * 0) = 0 + 0 + 0 + 0 + 0 = 0$$

Thus, Maria's vector of motives will be:

$$VM_{Maria} = (14, 0, 1, 0)$$

The same procedure was applied to generate the priorities for consumption vector for each participant following the INEI classification. Thus PR_u will concern priorities for consumption where ($u = 1 \dots 8$) and

$u = 1$ = Maintenance and housing services

$u = 2$ = Transport and communications

$u = 3$ = Education

$u = 4$ = Toiletries and personal care services

$u = 5$ = Clothes and shoes

$u = 6$ = Health care

$u = 7$ = Household appliances

$u = 8$ = Other expenditure

Calculating $PR_{i,u}$ following (a), a vector of priorities VPR_i will be generated for each participant. In the case of Maria from Nuevo Lugar her vector of priorities would be as follows:

$$VPR_{Maria} = (8, 0, 4, 0, 1, 0, 0, 2)$$

It is necessary to note here that not all participants named five priorities and motives for consumption and that sometimes people would prioritise expenditure on productive activities or food which are not included in this analysis. This was solved by deleting the non valid categories and attaching their rank to the next priority and motive.

The use of ordinal variables generated from ranking methods is not exempt of methodological problems like the ones associated to interpersonal comparisons⁷². Of two individuals who have considered hedonic feelings to motivate their fourth priority of consumption, one cannot tell which one deems having fun more important nor can one tell whether someone ranking it second actually considers it more important in absolute terms than someone ranking it fifth (Richins and Dawson *op. cit.*). Although relevant, those problems are partially tackled first by individuals being able to mention one reason for consumption more than once which highlights the intensity in which they are felt. And second, by using the dichotomous motive variables to triangulate and discuss the results.

Model (b)

Finally, dichotomous variables that consider only the presence of a motive or priority without accounting for its ranking⁷³ were also generated. The aim of calculating two different types of variables was twofold. First, as mentioned before, it would allow for triangulating the results and testing the reliability of the findings. Second, it would allow for testing whether statistical results change if what is measured is the presence of a motive and not its intensity.

If $M_{i,j}$ are motives for consumption where ($j = 1, 2, 3, 4$) and

$j = 1 =$ basic needs

$j = 2 =$ enjoyment

$j = 3 =$ socially driven

$j = 4 =$ custom

and ($i = 1.....506$) an index ($DM_{i,j}$) of the relevance of motive (j) for individual (i) is defined as follows:

$$DM_{i,j} = \begin{cases} = 1 & \text{if } j \geq 1 \\ = 0 & \text{if } j = 0 \end{cases}$$

⁷² Other problems could have arisen from the fact that in principle (if everyone had answered five priorities and motives) the value of the motive variables for each participant would have added up to 15, meaning that we could have *ipsative data* (Meade 2004: 531). This concerns a set of responses that always sum to the same total and are not suitable for factor analysis (Bartram 1996). Since variables have been created through content analysis of the open-ended responses to questions 5 and 6 of the I&E survey (Figure 5.1) there is no need to use factor analysis to reduce the number of categories and this potential problem is avoided.

⁷³ The dichotomous variables had a value of 1 if the motive had been mentioned by the participants and 0 if it had not.

Regarding Maria from Nuevo Lugar, her new vector of motives and priorities of consumption using dichotomous variables would be:

$$VM_{Maria} = (1, 0, 1, 0)$$

$$VPR_{Maria} = (1, 0, 1, 0, 1, 0, 0, 1)$$

5.4 Priorities and motives for consumption in the Peruvian corridor

The main purpose of this section is to offer a detailed picture of the reasons why people consume in the Peruvian corridor. Motives are capturing an important qualitative dimension of consumption that links market decisions with people's subjectivities. This is important because it is expected to have an impact on people's wellbeing beyond the amount of money they devote to expenditure, which has been the focus of previous literature. Thus, this section describes the meaning of the key variables of the analysis of consumption and subjective wellbeing that will be carried out in Chapter 6.

Table A.5.4 in the appendix goes through the main characteristics of the participant household heads and spouses by the type of community they belong to (rural, peri-urban and urban). It shows that most household heads are male although there are differences along the corridor. Rural households are more often headed by a man (84%) than urban households (54%). Most household heads and spouses are in the 15-39 age band although this differs between site types. Rural households have on average older household heads (over 60 years old) and spouses, which possibly reflects the direction of the migration flows from the rural highlands to the urban areas.

By far the main economic activities of people in the Peruvian corridor are home workers (31%), agriculture (23%) and commerce (17%). Those are also unevenly distributed by site type. Rural (78%) and peri-urban (48%) households have most of their household heads working on agriculture. Urban household heads, which are also more often headed by women, are more dedicated to commercial activities (35%) or work as home labourers (25%). Among spouses the most common activities are working at home which is more popular in the rural areas⁷⁴ (77%) than in the peri-urban (55%) and urban (33%). Agriculture is the second most important activity for peri-urban (26%) and rural spouses (20%) and commercial activities for urban spouses (27%).

Finally, most households in the corridor sample are Catholic (79%) although in the rural Andean sites there is an important presence of Pentecostals (42%). Urban participants are generally Catholic and only a minority belong to other Christian denominations. The most common are Evangelical (7%) followed by Pentecostal (4%), other protestant denominations (2%) and Israelite (2%).

5.4.1 Ranking priorities and motives in the corridor

Tables 5.4. and 5.5. below show the normative orderings of the priorities and motives for consumption derived from questions 5 and 6 of the I&E survey. Categories of consumption and motivations are ranked following the two methods presented in the preceding section. As reported before most participants did not give five priorities of

⁷⁴ This usually implies undertaking some farming activities to support the household economy.

consumption and related motives. On average they gave three valid current consumption priorities and two valid potential priorities and motives⁷⁵.

In general, the two methods of calculating scores or weights for every response result in the same ordering of priorities. Only hygiene and health care expenditure shift places at the bottom of the current priorities' list. Health expenditure have precedence only for a 12% of the participants but, as expected, they rank them higher than they rank toiletries and detergents.

Table 5.4: Ordering of consumption priorities in the Peruvian corridor

Current consumption priorities					Consumption priorities if richer			
	-		-					
					-		-	
					-		-	
					-		-	
8	House- hold durables	74	House- hold durables	20	Hygiene	1	Hygiene	1

Source: Source: WeD-Peru I&E first round; sample size=449

Housing and education are the categories of expenditure that concern participants the most. In the event of a rise in income they would still allocate the extra money to those two categories but they would give precedence to building materials and to putting up a better or newer house over spending on more or better education.

Household durables are at the bottom of the list of current consumption priorities but when people are asked to imagine what they would prioritise in the event of an income increase they often mention blenders, fridges, stoves, TV sets, cars or other durables. Travel expenses and phones move down the list, they are still prioritised by households from remote villages where poorer people often depend on other's giving them a ride to the nearest market. More people mentioned 'Other expenditure' as priorities of consumption in the event of an income increase than as a priority of current consumption.

⁷⁵ Data on priorities and motives for consumption required major cleaning since food and production-related expenditure was sometimes collected. Because the way people think about their current consumption priorities with regard to their future priorities the effect of erroneously collecting production related expenditure was stronger for the latter. This implied a drop of the valid answers in the second question that explains why only rankings and not scores between questions are compared.

In all the communities of the corridor people would like to have more furniture to have a more comfortable house and to be proud of their dwellings when they hold family gatherings.

Health expenditure, although deemed important by the same number of people in both questions, would become more heavily prioritised if people's financial constraints loosen. Despite generalised concerns about availability of health services in the corridor (see description of the sites in Chapter 4), only people in the two urban and one of the peri-urban communities (Descanso) are willing to spend more money on health care. Data from RANQ shows that 22% of the people who are ill in the corridor do not seek treatment. 50% of them say that the main reason is that they lack access to facilities/money/time or health care information whilst 25% report that is due to the high cost of the treatment. Participants in the I&E survey declared they would prioritise health care expenditure in order to be able to be treated or to buy medicines to recover from a current condition. They also reported that more money would give them access to better doctors and medicines and some of them would keep the money 'just in case they fall ill'.

There are not significant differences between household heads and spouses (categories that capture to a certain extent gender differences). However, housing related spending is significantly more prioritised by spouses (Chi-square = 5.45, $p < 0.05$) and education by household heads (Chi-square = 17.48, $p < 0.001$) (Table A.5.1 in the appendix)⁷⁶. In the event of an increase of income, spouses would also focus significantly more on 'other expenditure', mainly furniture (Chi-square = 6.06, $p < 0.05$).

Arguably, a sample as heterogeneous as the Peruvian communities of the corridor should show differences in what the household deems important to spend on. Table A.5.3. in the appendix shows that at the 1% level of significance, there are differences between urban, peri-urban and rural households in the importance attached to housing, hygiene, clothes and health expenditure⁷⁷. In general urban households are more concerned about housing and health and rural households about hygiene and clothes. This follows broadly their consumption patterns (refer to Table 5.9. later in the Chapter) and the high concerns of urban populations about their housing conditions and health risks and of the rural populations about necessities (although the influence of the festivities with regard to expenditure on clothes should not be underestimated).

Table 5.5 shows how basic needs drive most expenditure in the corridor followed by socially related motives, traditions and enjoyment. Participant's low level of income explains why most expenditure are driven by basic needs. It is also interesting to note that they would still motivate most consumption if people had more money to spend showing

⁷⁶ Non-parametric tests are suitable for data about which nothing or little is known concerning its distribution. Moreover, the motives and priority variables generated are dichotomous and ordinal, not precise measurements, deeming non-parametric tests more adequate (Sprent 1981). Two basic tests will be applied: Friedman and Kruskal-Wallis tests. Friedman's two-way analysis of variance is relevant in order to test for differences between dependent groups (differences between questions 5 and 6 in Figure 5.1 and differences between household heads and spouses). The Kruskal-Wallis analysis of ranks tests differences between independent groups and it will be used to study variations along the Peruvian corridor.

⁷⁷ Llacqta Jokc, Llacqta Iskay and Selva Manta are the rural sites of the corridor, Alegria and Descanso the peri-urban and Nuevo Lugar and Progreso the urban communities.

that currently the satisfiers people use are insufficient to meet people's basic needs as described in the THN.

Table 5.5: Ordering of motives for consumption in the Peruvian corridor

Motives for current consumption					Motives for consumption if richer			
4	Hedonic	177	Hedonic	47	Customs	69	Customs	16

Source: Source: WeD-Peru I&E first round; sample size=449

Unlike with basic needs motivated consumption, socially related motives would drive more consumption if people had a better economic position (an increase of around 20%). This suggests that having more money goes together with being more concerned with one's identity, social relatedness and position⁷⁸. In Peru creating an identity that deserves respect is an important drive of people's actions, since discrimination on different grounds is widespread. Despite the fact that higher education, literacy in Spanish, Western and fashionable clothes and use of modern technologies (such as TV and internet) are increasingly constituting the reality and/or aspirations of most Andean villagers (Colloredo-Mansfeld 1999; Huber 2002) economic, social and ethnic discrimination still applies. Thus, it is not surprising that if people had more money to spend they would increasingly be driven by reasons such as being 'someone', being 'respected' or reaching a higher social status.

People would not allow themselves to be driven by hedonism in their priority expenditure due to material hardship or/and moral values. There is a strong feeling in the communities that one has to 'progress', to excel and this is usually related to spending on education to get better jobs. However, motives related to aesthetic pleasure and enjoyment more than doubled from the first to the second question showing how once people have a less constrained budget they allow themselves to thrive and seek genuine pleasure. Finally, regarding expenditure motivated by custom, the fact that in the research this motive is associated with felt obligations might explain its lower incidence in the event of an income increase.

As with priorities, household heads and spouses did not differ in their motivations for consumption. The Friedman test for paired samples only showed a significant difference (Chi-square = 4.45, $p < 0.05$) with regard to expenditure motivated by traditions. Spouses would be driven by this motive more than household heads if they had more money to spend (see Table A.5.2 in the appendix)⁷⁹.

⁷⁸ This result supports differentiating between basic needs motives as in the THN and socially related motives. Although the latter could be felt as 'basic' by participants their dynamics are different. Unlike what happens with 'basic needs', socially related motives would become increasingly important in the event of an income raise.

⁷⁹ Differences in motives across site types are not tested here. The fact that most rural households are a production and consumption unit implied that most motives were partially production related and which would have made the comparisons between sites highly biased.

5.4.2 Motives for consumption by priority in the corridor

Tables 5.6 and 5.7 present current and potential motives for consumption in relation to the categories of expenditure that participants associated them with. For each category of consumption they show the percentage motivated by each of the four reasons to consume. For instance, individuals who currently prioritise expenditure on housing are mainly motivated by satisfying the basic need for shelter (94%) and at a much lesser extent by comfort and aesthetical pleasure (4%). As Table 5.6 shows, satisfaction of basic needs motivates most of the non-food expenditure of the corridor participants. As expected, expenditure on health detergents and soap together with medicines and doctor consultations is solely driven by basic needs related motives.

Table 5.6: Priorities of current non-food expenditure and motives in the corridor (% of motives by expenditure category)

									Total
								-	
				-		-			
				-		-	-		
		-		-		-			
Total	100	100	100	100	100	100	100	100	100

Source: WeD-Peru I&E first round; sample size=449

Housing, transport and clothes are also largely motivated by basic needs as people would argue they spend on them to improve the protective or sanitary characteristics of the dwelling, to go to school or work, and to protect one's body. RANQ (2004) data shows that only 40% of the corridor's households have their own flush toilet or improved pit latrine, 50 % have not access to piped water, 30 % lack of electricity and 25% live in shacks. Thus, it is not surprising that working on the dwelling, improving its safety, building more rooms to accommodate the family and paying for the utilities is the main priority of non-food consumption in the corridor.

Paying for the *combi*, the *mototaxi*, *omnibus* or the *taxi* in order to reach the work place, the neighbouring market or the school is also a key expenditure for poor households. Clothes and shoes are also a need in order to protect from the environment (81% of the motives for prioritising clothes) and to a much lesser extent to be respected in the community, at work or to attend social or family gatherings (15%). There is a saying in Peru *asi como te vistes asi te tratan* (you are treated how you dress) that reflects the social significance of spending on clothes. People's building of identity through clothes' is also felt as compulsory, as externally driven by the threat of social exclusion. Sometimes, not wearing the right clothes does not only generate an inner feeling of inadequacy but also a fear of being criticised by others or being looked down at.

Regarding education, RANQ shows that 9% of the corridor sample is illiterate, close to the country average in 2004 which was 12% (World Bank 2005). People in the corridor spend on children's or adult education mostly driven by increasing one's knowledge and having a better understanding of how the world functions in order to engage with it. A rural participant expresses it clearly:

... without education my children would be tontitos (dumb) they would not know how to produce the bill in the business.

But education is strikingly seen as an identity-related issue in all communities of the corridor (28%). In the rural sites people who speak Quechua are looked down at and education is tightly identified with speaking good Spanish. The Quechua-only speakers are marginalized in schools and speaking good Spanish implies being well educated and less indigenous (J.L. Alvarez, pers. comm. 3rd February 2006). This is also reflected in the saying *la educacion blanquea a la gente* (education makes people whiter) (J. Velazco, pers. comm. 27th May 2006).

As mentioned before, household appliances are the most hedonic of the expenditure in the corridor. They comprise from CD and DVD players, to computers and fridges. Out of the 1004 households in the corridor participating in RANQ, 72 % had a TV set, 14 % a CD player, 6% a fridge and only 2% owned a DVD player. TV sets were generally owned by the population of the urban sites (82%) and the peri-urban sites (73%). They were not as common in the rural communities (36%) where only 25% have access to electricity⁸⁰. Out of the electric appliances considered under this category, fridges, blenders and cookers were always talked about as basic needs driven (sometimes related to family harmony). TV sets, radios and CD players were usually related to having fun or chilling out.

As shown in Table 5.2. 'other expenditure' is quite an heterogeneous group that clusters furniture, celebrations, presents, taxes, kitchen utensils, allowances to children, toys and donations or gifts. Whereas furniture is mainly prioritised in urban sites, expenditure on presents and celebration is commonly seen as a priority in the Andean communities.

In the Andean highlands (refer to section 5.4 of this chapter) attending and participating in festivities, weddings and other social celebrations is often felt as compulsory (Mayer 2002). Expenditure related to those events is sometimes perceived as external to the individual. People's participation in the festivity does not increase one's status (unless one is organising the event) but not taking part might imply exclusion and marginalisation (see example in section 5.4.1). The following quotations from rural participants aim to illustrate this.

... since I am a guest I have to contribute to the fiesta. I cannot afford to lose face in front of my friends

...it is always good to join the fiestas and the customary celebrations of the community, otherwise neighbours would criticize you

Having fun and a comfortable life also triggers many of the expenditure in this category (17%). For instance urban participants would report that furniture is a priority in order to lead a comfortable (not luxurious) life and some rural people would claim that they direct some money to traditional or family celebrations because of its inherent enjoyment as shown in the two quotations below.

...One has to have fun, life is also about treating oneself sometimes, mainly when a family celebration comes up

...I prioritise contributing to the festivities because sometimes it is necessary to unwind

Table 5.7. shows the motivational structure of priorities of consumption in the event of an increase of income. Not only has the ranking of priorities changed as reported in Table 5.4 but motives associated with them are also different. Basic needs as understood in the THN would be less stressed with regard to expenditure on education, housing and

⁸⁰ Two of the rural sites do not have access to electricity so people use batteries to run the TV set.

clothes. However, they would motivate a higher percentage of expenditure on household appliances and 'other' expenditure. Basic needs would keep being the only motive for spending on hygiene and health. Few people would prioritise transport expenditure, which would be increasingly motivated by visiting relatives.

In the event of an income increase people would still spend on housing to have a protective shelter (82%). However, they would increasingly associate housing expenditure to make up for past material hardship or stand out in the community (12%) and feeling comfortable and aesthetically pleased with the space and materials the house is built with (5%). Education would also be less motivated by basic needs and more by being respected and accepted in the society as a valuable citizen. This category also includes uncommon expenditure for poor people like newspapers/books, going out and leisure trips. Those would sometimes be prioritised if people had more money to spend and they would be mainly driven by having a good time, unwinding and enjoying life.

Table 5.7: Priorities of non-food expenditure and motives in the event of an increase of income (% of motives by expenditure category)

		-		-		-			
				-		-			
		-		-		-			

Source: WeD-Peru I&E first round; sample size=449

Motives for spending on clothes would also shift once individuals had more money to spend. Clothes would still be considered as a priority by some households and they would buy them mainly to be protected. Nevertheless, 40% of the people who would prioritise clothes would do it because of looking good and decent, in order to make a statement about themselves and their identity, to deserve respect.

People who prioritised durables were relatively wealthy and did it mainly to entertain themselves watching TV or listening to music. However, after income constraints loosen people who do not own basic household appliances declared they would spend on them. Those would not only be TV sets or music systems but fridges, cookers and blenders which would be largely linked to basic needs. Sometimes people who would wish for durables would also highlight the technical reasons preventing them from currently acquiring those goods. Not having electricity supply was one of the main arguments related to technical constraints.

...I would really like to have my electric appliances, it is a shame that there is not electricity in this community, but we will have it soon!

Finally, not only the structure of the category 'other expenditure' but the motives associated with it would change if people had more money to spend. They would spend less on celebrations and presents and more on furniture and kitchen utensils. This goes together with the fact that this category would be prioritised for radically different motives. Customs would no longer drive expenditure on this category since people do not report day-dreaming about buying wedding presents or organizing a *fiesta*. Basic needs as in the THN would be more salient as reported motives because many people do

not have enough beds, wardrobes of storage furniture of some kind or even pots and plates⁸¹. A rural spouse declared:

... I would buy crockery in order to serve food properly to all my children. I would like to have everything available and not have to borrow from others

5.4.3 Patterns and priorities of consumption in the corridor

It is interesting to compare priorities reported by participants with the patterns of consumption derived from the analysis of their expenditure. First, in order to put people's patterns in the national context, Table 5.8 compares patterns of consumption in the corridor with the broad picture by *departamentos* (Peruvian politico-administrative division) offered by the national statistics office (INEI). It shows how at the national level Engel's law concerning the fact that when income increases the proportion spent on food decreases, holds. This is also the case in the corridor where rural and peri-urban communities have on average a lower expenditure level than the urban sites and correspondingly show a higher percentage of their income devoted to food⁸². 'Maintenance and housing services' are the second most important expenditure following the INEI estimates but in the corridor sample this is not the case. This is due to the different items included in this category by the two surveys and the fact that in rural areas people do not have access to most utilities⁸³.

⁸¹ RANQ data shows how only 58% of households own any kind of crockery, 51% have a wardrobe and 19% a sofa.

⁸² In the I&E survey, people were asked about their expenditure. Not only monetary expenditure was taken into account but gifts, exchanges, donations and subsistence consumption were also collected. The questions on priorities and motivations for non-consumption did not specify whether priorities comprised monetary and non-monetary expenditure. This did not present a major problem since even for people of the rural Andes monetary expenditure represented nearly two thirds of their consumption (INEI 2001).

⁸³ For instance Llacqta Iskay and Selva Manta do not have access to electricity.

Table 5.8: Structure of households' monthly expenditure (%)

	INEI (2001)			Corridor (July, 2005)		
	-				-	
Average consumption per capita⁸⁴	84	141	191	129	125	149

Source: INEI (2002) and WeD Income and Expenditure Survey, first round July (2005) N=254 households.

Urban households spend more on transport and communications than people in other areas. The two urban communities in the corridor are far away from the main economic centres in the city and people depend on public transport to go to work and school. In some remote rural areas transport facilities are limited and they are used only on an occasional basis. Toiletries and personal care are more important as one approaches the urban centres and clothes and shoes take a higher share of total consumption in rural communities. Household appliances and 'other expenditure' are minor expenditure although the incidence of expenditure on festivities increases the weight of the category 'others' in the rural and peri-urban sites of the corridor. Finally, INEI data on leisure and culture and health care cannot be compared with the I&E data due to the difference in the contents of those categories.

Table 5.9 below shows current patterns of non-food consumption in the corridor and compares them to the patterns that derive from people's declared priorities of expenditure. The latter concerns the percentage of each category of consumption over the sum of scores for all the eight categories. Using the ordinal variables generated following model (a) (refer to section 5.3.3):

⁸⁴ 1. The INEI (2002:287) gives information on average consumption per capita by *departamentos*. Data is for poor households in *Nuevos Soles* November 2001 at Metropolitan Lima prices. Information from the I&E is at prices of July 2005.

A vector VPR with the relative weight of each priority of consumption is defined as follows:

$$\text{VPR} = \left(\frac{\sum_{i=1}^{i=447} PR_{i1}}{\sum_{j=1}^8 \sum_{i=1}^{i=447} PR_{ij}}, \frac{\sum_{i=1}^{i=447} PR_{i2}}{\sum_{j=1}^8 \sum_{i=1}^{i=447} PR_{ij}}, \frac{\sum_{i=1}^{i=447} PR_{i3}}{\sum_{j=1}^8 \sum_{i=1}^{i=447} PR_{ij}}, \frac{\sum_{i=1}^{i=447} PR_{i4}}{\sum_{j=1}^8 \sum_{i=1}^{i=447} PR_{ij}}, \right. \\ \left. \frac{\sum_{i=1}^{i=447} PR_{i5}}{\sum_{j=1}^8 \sum_{i=1}^{i=447} PR_{ij}}, \frac{\sum_{i=1}^{i=447} PR_{i6}}{\sum_{j=1}^8 \sum_{i=1}^{i=447} PR_{ij}}, \frac{\sum_{i=1}^{i=447} PR_{i7}}{\sum_{j=1}^8 \sum_{i=1}^{i=447} PR_{ij}}, \frac{\sum_{i=1}^{i=447} PR_{i8}}{\sum_{j=1}^8 \sum_{i=1}^{i=447} PR_{ij}} \right)$$

For the corridor sample $VPR = (0.27, 0.14, 0.25, 0.04, 0.18, 0.04, 0.02, 0.06)$ as it is shown in the table below in percentages.

Table 5.9: Patterns and priorities of non-food consumption in the corridor (%)

INEI categories	Patterns of consumption	Priorities of consumption
N = 447		

Source: WeD-Peru I&E first round

People's patterns of consumption are in general similar to their declared priorities. However, there are some divergences between market behaviour and people's accounts mainly due to relative prices and availability of goods and services. Whilst it would be fair to say that education is highly valued given that in the corridor 28% of non-food consumption is directed to education, it would not be fair to assume that people value the same having access to transport as to proper housing. Housing expenditure is very important in the urban communities but people can only afford buying building materials little by little as money becomes available⁸⁵. Toiletries and personal care, health care and household appliances are more important in terms of expenditure than in terms of priorities. Regarding clothes, those are highly prioritised but given their relatively low prices they account only for 10% of their expenditure, much less than the importance people give to them (18% of total priorities).

⁸⁵ This was also found by Clark's (2002: 118) work in South Africa using the questions on priorities of expenditure from which this chapter draws on. He posits that 'the results of this exercise reveal that spending on housing and home improvements dominated most people's list of priorities. This is because decent housing is expensive and the poor can only afford to spend a small proportion of their meagre income on this essential item'.

Despite differences between housing and clothing due mainly to relative prices, general trends are maintained. Education, transport, housing and clothes are the most relevant expenditure and toiletries, health care, household appliances and 'other expenditure' play a minor role; the same pattern is found regarding priorities. In Chapter 6 motives for spending on priority goods and services will be used to approximate motives for consumption in general⁸⁶. This will have to account for an overrepresentation of motives related to housing and clothes and an under representation of motives for spending on health care. It is not expected to cause significant bias since those categories of expenditure are largely driven by basic needs.

5.5 Conclusions

This chapter has presented how a psycho-social aspect of consumption has been captured through motives for consumption. It has discussed an approach to motives derived from an open-ended question and a coding strategy based on categorising people's accounts drawing on the theoretical approaches to consumption and basic needs outlined in chapters 2 and 3. It has also described the process of generating the two types of variables, dichotomous and ordinal that have been used in the descriptive analysis and will be incorporated as explanatory factors collecting a psycho-social dimension of consumption in the regression analysis of the next chapter.

People's reported motives related to the eleven intermediate needs of Doyal and Gough's THN have been categorised as 'basic needs'. As expected, they drive most priorities of consumption in the corridor. They are not associated to specific goods and services although expenditure on health and hygiene is always motivated by them. Socially related motives are also relevant, mainly for education, clothes and furniture. Enjoyment is important when it comes to spending on electric appliances and custom is relevant for festivities and celebrations.

How motives change when income constraints loosen highlights potential implications for wellbeing that will be analysed in detail in the next chapter. It shows how people may become more driven by social acceptance and status together with hedonism and less by basic needs as in the THN and custom. People would still base most of their expenditure on basic needs considerations, indicating that they do not perceive they are satisfied with their current consumption. Furthermore, they would increasingly spend on housing, clothes and education for reasons linked to identity, relatedness and social status and they would start allowing pleasurable feelings to motivate some of their expenditure, especially electric appliances and furniture. Traditions would motivate little consumption, signalling the rapid turn to modernity that most Andean communities are experiencing (Huber 2002).

Lastly, it should be noted that motives could include goals for consumption. Although, psychologists clearly argued against confusing the two terms this research does not stress such distinction. In this thesis, motives are capturing what people have in mind when they carry out their purchases. The next chapter will analyse whether knowing why

⁸⁶ Motives are not explicitly related to preferences in this thesis. Theories of motivation such as West's (2006) might argue that motives and other variables in the motivation continuum such as whims, personal assessments and plans contribute to preferences. However, as Chapter 2 shown the latter is a widely contested term. Motives are a clearer term to identify the conscious drives that lead people to consume, thus incorporating the effect of the environment.

people consume adds to the information given by expenditure in a study of happiness determinants.

6 Consumption and subjective wellbeing in the Peruvian corridor

6.1 Introduction

'The effects on happiness of income can also be assessed by comparing people with different incomes at a particular point in time who live in the same country. At first sight, people with higher income have more opportunities to achieve whatever they desire: they can buy more material goods and services. Moreover, they have a higher status in society. After all, if someone does not like a high income and believes that poverty makes one happy, he is free to dispose of his high income at no cost.' (Frey and Stutzer 2002: 81).

The above quotation illustrates the fact that being richer than others with its direct impact on consumption and social position should be expected to raise positive feelings in the individual, and thus Subjective Wellbeing (SWB). As I have reviewed in Chapter 3, psychologists and economists working on the relationship between income and SWB have found that in any given society richer people report higher contentment than poorer ones and that in countries where people are 'nearest to the breadline' the effect of income on happiness is greatest.

In Peru, half the population lives under the poverty line and there is a high degree of inequality of income, access to assets and basic needs satisfiers⁸⁷. Under such circumstances, it would be reasonable to expect a strong correlation between measures of objective wellbeing such as consumption or basic needs and happiness. But the effect of consumption on wellbeing is not only captured through the total amount spent. As described in the literature review, people's SWB is also affected by what others consume. Moreover, the reasons why people spend on goods and services might also have an effect. Chapter 5 has shown that in the corridor, poor people consume largely for reasons linked to the THN basic needs but that they would increasingly consume for socially related motives and in order to have enjoyable experiences. Whether this has a positive or negative effect on people's SWB will be researched in this chapter.

This chapter starts with a short review of the works of the few economists that have undertaken research on socio-economic determinants of SWB in Peru. It portrays a country where there is a persistent feeling of frustration and where status considerations matter for people's contentment. Then, it analyses SWB in the Peruvian corridor captured through a single-item happiness question showing how happiness changes by location, income⁸⁸, level of intermediate needs and motives for consumption. Finally, it presents a happiness determinants study based on regression analysis which aims at exploring how motives for consumption contribute to the understanding of the linkages between consumption and wellbeing.

⁸⁷ 32% of the population live below \$2 a day. The share of consumption of the richest 10% is 43% whilst the share of the poorest 10% is 1% (UNDP 2006).

⁸⁸ In the regression analysis income and consumption are interchangeable as in developing countries both are usually approximated by aggregated expenditure. The latter is argued to be more representative of people's economic wellbeing as they include resources from savings and credit, which are less volatile than income and are easier to capture in surveys (INEI 2001: 275)

6.2 Subjective wellbeing in Peru

Generally speaking, Peruvians are portrayed as less positive people with lower prospects for the future than their other South American counterparts (Graham and Pettinato 2000). This manifests itself in an almost permanent feeling of dissatisfaction that does not seem to diminish much during periods of economic growth. Schuldt (2004) analysed the levels of SWB of *Limeños* (residents of Lima) during the past three decades. He showed how their average level of economic satisfaction⁸⁹ equals the feeling of a permanent recession (*ibid.*: 79). Focussing on the period from 1992 until 2003, he found that the increase of total household consumption of more than 50%⁹⁰ was not accompanied by increased SWB, which remained almost unchanged.

Schuldt undertook a detailed analysis of *Limeños'* appraisal of the household's economic situation from June 2001 to January 2004 in order to gain an understanding of the factors affecting people's discontentment. During the last two years of the period despite an annual GDP growth over 4%, the percentage of people declaring their situation to be *mala* (bad) raised from 32% to 54%. This low level of economic satisfaction equalled that of Peruvians during the worst recession period in the early nineties (characterised by an hyperinflation of over 7,000% and GDP drop of 10%). Schuldt concluded that the reasons for this persistent dissatisfaction were the continuous frustrated expectations of the *Limeños* boosted by economic and extraeconomic factors.

As key objective factors feeding people's frustrations he identified income volatility, precariousness in the labour markets, accentuation of inequality, the demonstration effect and the type of goods they buy (*op. cit.*: 337-346). Regarding *income volatility*, fluctuations of average household incomes were as high as +/- 10% during the period of study leading to economic insecurity and consequently to feelings of unhappiness. Labour market precariousness is reflected in the prevalence of the informal sector (62% of the economically active population), the decreasing level of workers' participation in labour unions (from 50% in 1991 to 10% in 2001), the fact that most salaried jobs are unstable and fixed term and the fact that the majority of people are not entitled to social security, pension or fringe benefits. Moreover, *gender and race discrimination* are very high and generalised all over the country, as Schuldt (*op. cit.*: 190) posits 'evidently, the worst jobs are "reserved" for (rural) migrants, especially of the first generation'⁹¹.

Inequality broadened during the beginning of the 21st century in Peru. This has resulted in a even bigger gap between the life styles of rich and poor people. Patterns of consumption of the higher classes have become more sophisticated, fostered by the increase of marketing campaigns. This has expanded people's aspirations and increased frustration for the middle and lower income groups due to the *demonstration effect* (defined in section 3.2. of Chapter 3). The good economic situation and the want to emulate have left *Limeños*

⁸⁹ He takes economic satisfaction as a proxy for SWB. The question included in the survey was 'How would you describe your current household economic situation: good, average or bad?' (in Spanish in the original).

⁹⁰ In real terms at 1994 prices (see Schultz 2004: 53).

⁹¹ In Spanish in the original.

highly indebted thanks to the increasingly available credit facilities of the mega stores⁹². Consumer credit imposes a high levy as people endure interest rates in the local currency around 29% in banks and 40% if they buy through megastores' hire-purchase system (*ibid.*).

The *type of goods* people buy might also be detrimental for their wellbeing. Schuldt claims that recently people might be consuming *positional goods*, those that give status, instead of 'essential' goods. He argues that this applies to basic categories such as food since people increasingly consume products that are regarded as 'modern' or 'trendy' instead of more nutritious alternatives. Following Max-Neef's typology of satisfiers he argues that this shift would be configuring a scenario where consumers were increasingly frustrated because they are buying satisfiers of the inhibiting or violator type (refer to section 2.7 in Chapter 2).

As *extra-economic factors* Schuldt highlights the way people assess their wellbeing and the effect that colonisation and perpetual inequality have had on people's personalities. He exemplifies the latter by the Peruvian's tendency to feel envy and covet others' possessions which might reinforce the *demonstration effect* derived from the high levels of inequality. He also argues that the spatial and temporal comparisons people do in their assessment of wellbeing have been detrimental since the gap between expectations and achievements has broadened over time. This is strengthened by the fact that income levels in Lima peaked in 1997 and had not recovered by 2003.

Finally, Schuldt concludes that externalities derived from industrialisation and urbanisation in Peru together with generalised poverty and gender and ethnic discrimination have also contributed to people's dissatisfaction. He also highlights the impact of *insecurity* (assaults, robberies, rapes, kidnapping, physical attacks) which together with political instability and corruption shape people's feelings.

Schuldt's descriptive analysis of the multiple causes for the Peruvian discontent was meant to pave the way for specific studies that could shed light on the linkages and relationships that he pointed at. Graham and Pettinato (2000), Graham (2004), Graham and Felton (2005) and Herrera and colleagues (2006) have explored through regression analysis a number of those linkages, shedding light on some of the hypotheses and trends identified by Schuldt. As expected, increasing aspirations, inequality, gender discrimination, job precariousness, insecurity associated to urbanisation, lack of adequate social insurance and social comparison have shown to be negatively influencing SWB in Peru and thus reinforcing frustration.

As expected, income and wealth have a significant and positive effect on Peruvians' contentment. As already signalled in Chapter 3, this effect also translates when average income and relative income are included in the analysis. This is illustrated by Herrera and colleagues in their study of economic satisfaction in urban Peru during 2001 and 2002. They found that households living in areas where people are on average richer tend to be unhappier. Likewise, Graham and Felton found that in small Latin American cities (which are the ones with the lowest average wealth), people were significantly concerned about the wealth of their reference group thus showing the strength of the *demonstration effect* in small neighbourhoods.

⁹² Schuldt (2004: 345) reports that purchases made using credit facilities in Lima had gone from 26% in 1998 to 35% in 2003.

Nevertheless, when *status considerations* are included in the study through relative income (one's income with regard to an average) they either deem the effect of the reference group insignificant or they significantly complement it. As pointed out in Chapter 3 Peruvians, like other Latin Americans, seem more concerned about their position with regard to their neighbours than with the sole fact they are living in a wealthy neighbourhood (*op. cit.*).

In Peru women show lower levels of wellbeing than men, which is a likely consequence of gender discrimination in the country. Insecurity, precariousness in the labour market and lack of adequate social insurance is usually approached by variables measuring underemployment or self-employment which show to be negatively related to wellbeing (Graham 2004). The urban and rural divide is also significantly affecting wellbeing. It is in the urban areas that rural migrants face the highest levels of racism and exclusion resulting in feelings of frustration. Herrera and colleagues (2006: 13) posit that 'urban households have a more pessimistic view than rural households concerning the evolution of living standards, both in their own households and for the town'. Conversely, Graham and Pettinato's (2000) work on frustrated achievers (people with upward mobility reporting their economic situation is negative) shows that most of them are urban.

In summary, the above studies have confirmed some of the hypotheses explaining the persistent frustration of Peruvians. As expected, gender and ethnic discrimination as well as economic insecurity have shown to be negatively affecting people's satisfaction. Moreover, one's level of income, one's reference group and one's economic status in the community are strongly impacting on people's contentment. In the context of this research, the question remains whether *motives for consumption*, by capturing broad psycho-social aspects, can add significant information to help understand Peruvians' frustrations. The chapter investigates this issue through regression analysis.

6.3 Data

6.3.1 Sources of data

Chapter 4 described the general features of the WeD Resources and Needs Questionnaire (RANQ) and Income and Expenditure Survey (I&E). The RANQ questionnaire implemented in July-September 2004 and the first round of the I&E survey applied in the field during July 2005 constitute the sources of data for the analysis of SWB determinants in this chapter. The I&E survey was implemented in three rounds allowing for the calculation of an annual expenditure measure and an annual average level of happiness. However, the use of the information from the three rounds was not considered in this research due to the fact that the questions on motives for consumption were only included in the first round of the I&E. It would have been inappropriate to translate motives for consumption in a specific month to the reasons people might have during a whole year.

Data on demographic characteristics and basic needs is drawn from RANQ. The former concerns gender, age, years of education, cohabitation, health status and type of employment, which previous studies have proven significant in affecting happiness. Except for age and number of household members (that is used to calculate per capita consumption), all demographics refer to a year before the I&E was collected. This means that some independent variables (such as years of education, cohabitation, health status and intermediate needs levels) will present a year lag with the dependent variable (happiness) in the regression study.

Total expenditure, average, relative expenditure and motives for consumption draw on data from the I&E survey. The initial data set contained 254 households from which the

household head and the spouse were asked the global happiness and the motives question. After cleaning the data the sample size reduced to 399 individuals.

Finally, it is worth noting the social and political context in which the research took place. In July 2005 the public evaluation of the government anti-poverty measures was very low and there had been marches in some cities against the high corruption levels of the Toledo government. This generated more debates and mobilisations in urban areas than in the rural Andean communities depleting their already traditional lower SWB. Moreover, the fact that July is an atypical month in the highlands as it is the season of the biggest festivities might have generated a positive bias in the five Andean communities in terms of expenditure and level of happiness.

6.3.2 Main variables

The analysis of happiness determinants using data from RANQ and I&E is done at the individual level including only household heads and spouses for every participant household. Most of the independent variables that will be used in the regression analysis are at the individual level but some, like the intermediate needs index includes information at the household level. Besides demographics, there are three main variables that are included in the model⁹³:

- motives for consumption by household head and spouse (I&E);
- consumption approximated by total expenditure per capita (I&E);
- intermediate needs household deprivation index (INDI) (RANQ); and
- happiness (I&E).

The generation of the motive variables has been thoroughly explained in the previous chapter. How total expenditure per capita, INDI and the happiness variable were produced is described hereafter.

1. Consumption

Studies analysing SWB determinants usually take expenditure, income and assets ownership interchangeably despite the first two being a flow measure and the last one concerning stock of goods. Nevertheless, the three measures are used as indicators of the economic level of a given individual or household. Since this thesis concerns consumption it seems more appropriate to use expenditure. However, as noted in Chapter 5, expenditure might not collect consumption of items like electric appliances, kitchen utensils and even clothes if they had been bought prior to the interview. This could alter quite significantly the value of the final indicator if, as expected, the corridor households are highly affected by seasonality.

The fact that this thesis uses data from a specific month to study consumption presents additional limitations. As it has been noted before, July is a month when the Andean communities hold their traditional festivities which imply a high level of expenditure on alcohol, ceremonial expenses, food, gifts, clothes and other related categories. The impact of this was already reported in Chapter 5 as rural households gave a higher priority to clothes and hygiene products than their corridor counterparts. Moreover, July is harvest season in the Andes so consumption of own produce is at its peak, which increases total

⁹³ The empirical model will be described later. It is enough to note here that happiness will be estimated through three types of variables: socio-demographic characteristics (including INDI and location), consumption and motives for consumption.

food expenditure in the rural communities. Those two factors point at a predictable overestimation of monthly consumption in the rural corridor.

Total expenditure was generated by calculating July's 2005 food and non-food expenditure from the first round of the I&E survey. The I&E collects food expenditure for the week previous to the survey including cash purchase, household's own production and gifts or wages in kind. Thus, food expenditure concerns monetary and non-monetary expenditure. This is not the case for non-food expenditure since only monetary expenditure of the last month or four months prior to the interview was collected (see table below).

Table 6.1: Non-food expenditure categories in the I&E questionnaire

Last four months	Last month
Lamp/torch	Rent

Source: WeD-Peru I&E survey (first round)

All the food and non-food data were transformed in monthly terms at current prices of July 2005 (the month when the survey was carried out) in the local currency (*Nuevos Soles*⁹⁴). Then, data on expenditure at the household level was transformed to per capita terms using the adult equivalence scale of the World Health organisation⁹⁵ (WHO, cited by McCulloch and Baulch 2000: 129) (see Table A.6.4 in the appendix).

2. Intermediate needs household deprivation index (INDI)

Household's level of intermediate needs was calculated and introduced in the empirical model for two reasons. First because it could shed light on the relationship between objective and subjective indicators of wellbeing beyond the evidence obtained from studies focussed on income. Second because basic needs are the most common reason for consumption and it was interesting to test whether its impact on SWB would be significant even if the level of basic needs of the household was accounted for. To

⁹⁴ At 15 July 2005 1 Peruvian Nuevo sol equalled 0.25451 Euro (<http://www.oanda.com/convert/classic>)

⁹⁵ The use of adult equivalence scales is not unproblematic but it represents the diverse consumption requirements of different age and gender groups (see White and Masset 2006 for a methodological discussion). The adult equivalence scale used here is based on a WHO equivalence scale used among others by Dercon (1998) in a study on poverty in Ethiopia and by McCulloch and Baulch (2000) in their work on poverty in rural Pakistan.

generate the indicator of basic needs I followed McGregor and colleagues (2007). They create an INDI computing an index of lack of access to intermediate needs following Desai and Shah's (1988) methodology and drawing on the THN's classification of intermediate needs. Thus, the deprivation index is generated as follows.

$$Di = \sum_k I_{ik}$$

Where

$I_k = 1$ if a household i is facing a lack of access to the k_{th} intermediate need

$I_k = 0$, otherwise

Household level indicators for 10 intermediate needs of the THN are drawn from RANQ (see appendix Table A.6.5). Those provide information about health services utilisation, nutrition, sanitation and drinking water, housing, education, primary relationships, economic and physical security and safe birth control. Thus, $0 \leq Di \leq 10$, where an index of 10 would indicate that a household lacks of access to all the 10 intermediate needs and an index of 0 that has access to all of them. Since most households participating in the I&E in 2005 had also participated in RANQ a year before, data on basic needs deprivation was available for the majority of the I&E households.

3. Global happiness

Finally, the explained or dependent variable of the model is global happiness which is the variable used in the I&E survey to capture subjective wellbeing⁹⁶. Happiness was investigated through a three-point scale question:

Taking all things together, how would you say things are these days? Would you say you are:

1. *Very happy*
2. *Fairly happy*
3. *Not too happy*

Answers were recoded in order to follow a logic sequence where the highest number represents the highest level of SWB. Although three point scale questions do not allow for detailed cross-personal comparisons and larger scales have been usually recommended (Cummings 2003), they are useful to capture the direction of people's subjective states. They have been widely used by the U.S. General Social Survey from 1972 until 1998 and the Eurobarometer from 1975 until 1986 before turning to a four-point scale. In the I&E survey the global happiness question was placed right at the end of the questionnaire before the questions on satisfaction with life domains. Perhaps some tiredness after a long and detailed questionnaire on income sources, expenditure and intra-household distribution of tasks might have given the results a negative bias but this would have been evenly distributed throughout the corridor sample.

⁹⁶ There are also other domain-specific measures of subjective wellbeing in the survey, satisfaction with life domains and satisfaction with food and non-food consumption. Those are also explored in section 6.4.2 of the chapter.

A happiness question had already been used in the RANQ and in a previous psychometric instrument developed by the WeD Peruvian team. Therefore issues about the meaning of happiness for people of the Peruvian corridor and the translation of the concept to Quechua had all been cleared before the implementation of the I&E survey.

6.4 Happiness, objective wellbeing and motives for consumption

6.4.1 Happiness along the corridor

Table 6.2 below shows the distribution of happiness by type of site and the totals for the corridor. In July 2005, 20% of participants declared themselves as 'not too happy', 68% felt 'fairly happy' and 12% 'very happy'⁹⁷. This portrays a similar picture to the one found by Herrera and colleagues (*op. cit.*) regarding people's satisfaction with their economic situation during 2001-2003 for a representative sample of Peruvian urban household heads. 13% of his urban sample reported to be in a 'very difficult situation', 77% said 'things are OK but need to be careful', and 10% that things 'were fine or fairly good'. On the contrary, average happiness in the corridor (1.93) appears to be slightly more positive than the average satisfaction levels of *Limeños* during the last three decades (1.69) (1988-2003) reported by Schuldt (*op. cit.*)⁹⁸.

Table 6.2: Global happiness by site type

	Urban	Peri-Urban	Rural	Total sample
Total (number)	198	164	67	429

Source: I&E first round

As expected from previous studies and from the timing of the survey, rural and peri-urban people are happier than urban dwellers in the corridor. This is confirmed through an Analysis of Variance (ANOVA) that shows significant differences between site types ($F=8.866$, $p< 0.001$ significance). A post-hoc test (Scheffe) was run to test for significant differences between the groups showing that Peri-urban and rural sites are significantly happier than urban but not significantly different between them.

Copestake (2006b) using RANQ data also found that rural and peri-urban households are happier than urban indicating that there are deeper underlying reasons for the differences in happiness levels between types of communities. Arguably, those could be related to migration since happy people might be less likely to migrate, which would imply that findings are a consequence of a selection bias. However, it seems plausible that the fact

⁹⁷ These results are in accordance with the findings that in general people are somewhat happy. Even studies of groups of people who live in cultures relatively isolated from the usual Westernised world report that most of them are above neutral in their appraisal of life satisfaction and domain satisfaction (Biswas-Diener *et al.* 2005).

⁹⁸ These comparisons are only illustrative since economic satisfaction and happiness, despite being correlated, are usually identified with different aspects of SWB (satisfaction more cognitive and happiness more emotion based).

that urban dwellers have to deal with what Schuldt calls the ‘externalities of urbanisation’ (unsanitary conditions in slums, racial and linguistic discrimination, assaults, robberies, rapes, etc.) besides weakened social networks (Lockley 2006) is here playing a major role.

6.4.2 Happiness and intermediate needs

Arguably, having a low level of basic needs satisfaction has a negative impact on people’s contentment. In this study, indicators of intermediate needs following the THN are aggregated in the INDI. Table 6.3 shows the mean of the INDI by SWB categories highlighting a negative relationship between basic needs deprivation and happiness in the corridor. Happier people seem to belong to less deprived households (the basic index is at the household level) than unhappier people. Although a one-way ANOVA does not yield significant results it is worth acknowledging the trend.

Table 6.3: Global happiness and basic needs deprivation index

	Basic needs deprivation index (mean)	Std. Error
Sample size = 399		

Source: I&E first round

The literature on SWB determinants has usually taken income as an indicator of basic needs satisfaction. However other indicators such as access to specific assets or durables (Graham and Felton 2006; Guillen and Velazco 2006) together with access to public services (Rojas 2006) had shown to be strongly related to people’s SWB in developing countries, sometimes showing stronger effects than income. More comprehensive measures of basic needs including different aspects of people’s life requirements like relatedness and physical security had not been systematically used. One exception to this is the study by Lelkes (2005) on SWB determinants in Europe, which included broad measures of ‘basic needs’ such as income, labour market participation, education, housing or neighbourhood conditions and social relations. Without generating an index she found that being in bad health (-0.291)⁹⁹, unemployed (-0.189) and having no friends (-0.133) strongly and significantly affected people’s life satisfaction in Europe. Moreover, being in a higher quintile than the poorest group was always significantly increasing SWB, especially for those at the top (0.168).

6.4.3 Expenditure and happiness

As mentioned before, at very low levels of consumption we would expect that a little more spending matters. However, there are arguments against this since little increases do not reduce much the extreme poverty of the households and can even add the stress to turning to a wealthier reference group to compare oneself with. As Graham and Pettinato (2000: 97) say in reference to Peruvians who had income increases but not higher contentment ‘other obstacles, rigidities and discriminatory practices might still block their continued ascent, particularly along non-income dimensions’.

⁹⁹ Marginal effects are in brackets. They ‘express the probability of being very satisfied (defined as a response of 8 or more on the 0-10 life satisfaction scale)’ (Lelkes *op. cit.* : 10)

In the corridor, where most people are poor or extremely poor by national standards¹⁰⁰, there seems to be a positive relationship between level of expenditure and happiness. On average ‘not too happy people’ have a monthly expenditure around s./ 128, ‘fairly happy people s./134’ and ‘very happy people’ s./152, which points at a positive relationship between income and SWB in the sample¹⁰¹. However, a one-way ANOVA yielded non-significant results showing that the difference between the means is not significant.

Table 6.4: Global happiness by quintile of personal expenditure (%)

	1 (lower)	2	3	4	5 (higher)	Total sample
Sample size = 429						

Source: I&E first round

Table 6.4. above describes the distribution of happiness by quintile of personal expenditure. As expected the poorest quintile is the unhappiest since 26% of the poorest declare themselves to be ‘not too happy’ compared to 17% of the richest in the sample. The second and fifth quintiles are happier than the preceding groups possibly indicating downward looking. The third and fourth quintile, although happier on average than the first, might be looking upwards to a wealthier reference group, thus showing a higher percentage of ‘not too happy’ people. As Graham and Pettinato (*op. cit.* 101) posited with regard to their representative sample of Peruvian households, ‘those in the middle had more differential rewards, depending on their skill and education levels. They are also more likely to rely on the wealthy as a reference group than are the very poor, and thus even some upward mobility could still result in frustration or ‘unhappiness’.

¹⁰⁰ Copestake (2006a) calculates the poverty line and poverty incidence in the corridor for the I&E sample. As mentioned in Chapter 5 he found that 90-93% of households were poor and around 70-74% extremely poor depending on the method of estimation being based on expenditure or income calculations.

¹⁰¹ Issues of causality have been somewhat addressed in Chapter 3. Psychologists seem to conclude that causality works both ways so richer people are happier and happier people are richer. A good discussion on those issues is found in Lyubomirsky *et al.* (2005) and (Diener *et al.* 2000).

6.4.4 Motives for consumption and happiness

Reasons to consume are arguably going to have an impact on individuals' SWB. Following model (a) developed in Chapter 5, Table 6.5 (below) presents the average of each motive index by happiness levels. In general the happier ('fairly happy' and 'very happy') are more driven by hedonism and custom and less by basic needs as in the THN and socially driven motives than the 'not too happy'. However, there are particularities worth analysing before the regression analysis accounting for absolute and relative income, reference group and basic needs levels is presented in the next section.

Table 6.5: Global happiness by motives for consumption

	Basic needs	Hedonic	Social	Custom
Sample Size = 429				

Source: I&E first round

Consuming in order to satisfy basic needs as defined in the THN seems to be related to unhappiness. This result is significant since a one-way ANOVA using global happiness as a factor shows an $F = 2,778$ ($p < 0.05$ significance). A Scheffe post-hoc test confirms that differences are between 'not too happy' and 'fairly happy' people, the former stressing basic needs as a drive for consumption much stronger than the latter. Stressing basic needs as a drive for consumption does not significantly correlate with total expenditure¹⁰² and the basic needs levels of the household approximated by the INDI (see Table A.6.3 in the appendix). This implies that people who consume focussed on the THN basic or intermediate needs are not necessarily the most basic needs deprived in the sample.

As Chapter 5 has shown, a higher income does not reduce much the intensity with which people feel motivated by the THN basic needs. Thus, basic needs related expenditure might well be picking up people's lack of alternatives and the obligation of having to provide for one's family basics in a context of sheer poverty. It is also likely that the demonstration effect and the expansion of marketing campaigns pointed by Schuldt are contributing to increasing people's dissatisfaction with their level of basic needs and this reflects in the motive variable.

Furthermore, being highly motivated by basic needs correlates significantly and negatively with an index derived from the factor analysis of satisfaction with life domains tightly related to the THN intermediate needs¹⁰³ (Pearson correlation $r = -0.361$ at the significance level 0.001). This points to the fact that motives linked to the THN basic and intermediate needs might also be collecting the perceived failure of the household to satisfy them.

¹⁰² However, the richest quintile is less driven by basic needs in their consumption than the poorest as Table A.6.8 in the appendix shows.

¹⁰³ Factor analysis is a data reduction technique used to derive factors from highly correlated variables. The five domains included in RANQ are satisfaction with family health care, satisfaction with children's education, family housing, family clothing and family total income.

Being driven by hedonism shows, as expected, a positive relationship with happiness although an ANOVA yields non significant results due to the low frequency of this motive in the corridor (10% of the sample). Table A.6.8 in the appendix shows that richer people are more prone to indulge in hedonic purchases than poorer people but the ones in the mid quintiles do not present a clear trend. This result links back to the second question on motives analysed in Chapter 5 as people declared they would be more motivated by hedonism if they had a substantial and permanent increase of income.

The happier the person the less he/she is driven by social integration, relatedness or social positioning. Although Table 6.5 shows a somewhat clear trend, an analysis of variance is only significant at the 90% level. In addition, it is interesting to note that people in the highest quintile are significantly more driven by socially related motives than people in the lowest quintile (refer to Table A.6.8 in the appendix). An ANOVA ($F=3,552, p<0.01$) confirms that this is the case backing the exploratory findings in Chapter 5 claiming that if people had more money to spend they would increasingly use the extra money to gain social recognition and avoid discrimination. This is especially the case for the urban migrants of the corridor who are in turn populating the highest income quintile (refer to Table A.6.6 in the appendix).

Participating in celebrations and weddings or even buying new clothes under the threat of being looked down on, criticised or excluded does not show a clear trend with regard to happiness. In general unhappy people buy less because of this reason than happier individuals ('fairly happy' and 'very happy'). This is probably related to the fact that with the feeling of imposition associated to this expenditure there is also enjoyment. Table A.6.8 (appendix) shows how people in the middle quintile are the ones most commonly be led by traditions. This makes sense since in order to organise a fiesta or contribute to a wedding people have to have a certain level of income.

So far, the descriptive analysis shows that the happiest people in the corridor are more rural, richer, show a high level of basic needs satisfaction and their consumption is less driven by basic needs and social motives and more by hedonism than their less happier counterparts. However, the analysis does not clarify whether motives for consumption are significantly adding to SWB when objective variables such as level of basic needs and total expenditure are accounted for. The regression analysis undertaken hereafter takes into account most of the relevant characteristics of the individual in order to elicit whether those relationships still hold.

6.5 Motivations for consumption and SWB: A regression analysis

This section presents the model that will be tested, the results with the corridor's data and a discussion of the results linking back to the ongoing debates on wellbeing in Peru.

6.5.1 The empirical model and the hypothesis

The empirical analysis follows the tradition of happiness research in economics taking socio-economic and demographic variables as determinants of subjective wellbeing. It should be noted that the objective of this analysis is not to reach a 'best fit' of the SWB variable. It is a well accepted fact that demographic and socio-economic variables can at best capture 15% of the variance of SWB. Genes and persistent psychological traits, which are not the focus of this research, are the factors that have shown a highest correlation with SWB (around 80%) (Ferrer-i-Carbonell and Frijters 2004).

The causal relationships between the socio-economic and demographic variables and the SWB indicators is analysed through an Ordered Probit model that emerges from the

normal cumulative function. Those models have been extensively used in happiness studies¹⁰⁴ and they imply ordinal comparability i.e. ‘that individuals in the same language community have a common understanding of how to translate internal feelings into a number scale’ (Ferrer-i-Carbonell and Frijters 2004: 644). Issues of causality are not explicitly investigated here but it is acknowledged that positive emotions have a spill over effect on people’s economic and personal achievements.

The dependent variable used here is happiness and has a three point scale. The empirical specification is formulated in terms of a latent response variable y_i^* , which depends on individual perception and is defined as follows:

$$y_i^* = \sum_{k=1}^K \beta_{ki} x_{ki} + \varepsilon_i \quad \varepsilon_i \sim NID(0,1) \quad (1)$$

where:

i : The surveyed individual

x_{ki} : Independent variables that explain the individual’s perception

β_{ki} : Parameter that indicates the effect of x_k on y_i^*

ε_i : A normally distributed independent error term¹⁰⁵ for household i

Let y_i be a discrete random variable with values ranging from 1 to 3 which are associated to the verbal scale of the responses to the happiness questions: “not too happy”, “fairly happy” and “very happy”. Thus, the Ordered Probit model with 3 alternatives is defined as follows:

$$y_i = \begin{cases} 1 & \text{if } y_i^* < d_1 \\ 2 & \text{if } d_1 \leq y_i^* < d_2 \\ 3 & \text{if } d_2 \leq y_i^* \end{cases}$$

Where $d_1 < d_2$ being d_i the threshold parameter. The model will be estimated by the maximum likelihood method. The independent variables x_k included in model (1) as explaining individual’s SWB are derived from the set of variables that have traditionally shown to be significant in this type of analysis (Diener *et al.* 1999; Hirata 2001; Frey and Stutzer, 2002a; Van Praag and Ferrer-i-Carbonell 2004). In order to understand how consumption is related to individual’s SWB model (1) will be estimated in three steps.

¹⁰⁴ Examples can be found in Clark and Oswald (1994), Frey and Stutzer (2000), Ferrer-i-Carbonell (2002), Herrera *et al.* (2006) and Guillen and Velazco (2006).

¹⁰⁵ There will always be omitted variables and random effects. Those are collected under the random variable ε .

Model 1.a.

Model 1.a. includes variables concerning the socio-demographic characteristics of the participants. Age and age squared are included in order to be able to calculate how SWB varies during the life span. Gender is a dummy variable that equals 1 if the participant is male. Religion is a dummy variable that equals 1 if the participant is Catholic. Living together with a partner is collected under a dummy variable that equals 1 if the interviewee is married or cohabiting¹⁰⁶. State of health is collected in a dummy that equals 1 if the person has a chronic illness. Employment status is represented by the self-employment dummy and the homemaker dummy which equal 1 if the participant belongs to any of those categories¹⁰⁷.

The first model also includes the INDI described in section 6.3 that captures: shortages of staple food, quality of sanitation, quality of drinking water, availability of electricity, quality of roof, access to primary social networks, incidence of economic or physical shocks, safe birth control, education and health¹⁰⁸. Finally the model tests the effect of total consumption on happiness by including Log of total expenditure¹⁰⁹.

$$y_i^* = \sum_{k=1}^{11} \beta_{ki} x_{ki} + \delta_i \text{LOG}(\text{Consumption}) + \varepsilon_i \quad (1.a)$$

Where δ is the parameter that indicates the effect of LOG(consumption) on y_i^*

Years of education and household size, two variables that are usually included in this kind of studies, are omitted here. Years of education are partially incorporated in the INDI under basic education that concerns households with adult members that have not completed primary education. Household size is included in total consumption because this variable was derived from total household expenditure divided by household members by the equivalence scale (see previous section).

Model 1.b.

Model 1.b. includes the socio-demographic variables in Model 1.a. but following Graham and Felton's (*op. cit.*) work on Latin America¹¹⁰, consumption is transformed into average and relative consumption. 'Average consumption' represents the average consumption of the type of site (urban, peri-urban, rural) and it is useful to approximate the reference group of the participant (Fafchamps and Shilpi 2003). 'Relative consumption' is the difference between the participant's and the average consumption of respondents in the

¹⁰⁶Being married was also positively contributing to happiness but for cultural reasons cohabitation is left as the variable representing living with a stable partner in a socially accepted way.

¹⁰⁷ Refer to Table A.5.4 in the appendix for a description of the main demographic characteristics of the household head and spouses in the corridor sample.

¹⁰⁸ The indicator used in the index to identify state of health is different from the one included as socio-demographic characteristic of the individual. In the index health is approximated by the presence in the household of members that have not had the polio vaccine or were ill and did not seek for treatment whereas in the regression health is approximated by individuals suffering from chronic illness.

¹⁰⁹ Table A.6.3 in the appendix shows how the INDI is lowly correlated with consumption.

¹¹⁰ Graham and Felton's work follows Di Tella and MacCulloch with data from the U.S. and Europe and Luttmer for the U.S. (Di Tella and Mac Culloch 2003; Luttmer 2004)

same site type. If the sign of the coefficient is positive and significant it would imply that individuals are happier if their consumption is higher than their neighbours and unhappier if it is lower. The dummy variable 'type of site' is not included since it is collected in *AVGconsumption* and thus collinear with it.

$$y_i^* = \sum_{k=1}^{11} \beta_{ki} x_{ki} + \lambda_{1i} \text{AVGconsumption} + \lambda_{2i} \text{RELconsumption} + \varepsilon_i \quad (1.b)$$

Where λ_{1i} is the parameter that indicates the effect of *AVGconsumption* on y_i^* and λ_{2i} the parameter that indicates the effect of *RELconsumption* on y_i^* .

Model 1.c.

Finally model 1.c. includes the variables motives for consumption as derived in Chapter 5. They are continuous variables representing the intensity with which individuals make their consumption decisions driven by them. As has been discussed in Chapter 5 motives were collected with regard to priorities of consumption but those priorities were quite similar to the real choices that people would make in everyday life,¹¹¹ so they can be used consistently as proxies for consumption motives.

$$y_i^* = \sum_{k=1}^{11} \beta_{ki} x_{ki} + \lambda_{1i} \text{AVGconsumption} + \lambda_{2i} \text{RELconsumption} + \sum_{k=1}^4 \gamma_{ki} \text{MOTconsumption}_{ki} + \varepsilon_i \quad (1.c.)$$

Where γ_{ki} is the parameter that indicates the effect of MOTconsumption_k on y_i^* .

Table 6.6. below shows the descriptives of the independent variables that will be included in the regression analysis.

¹¹¹ See Table 5.9 in Chapter 5.

Table 6.6: Determinants of happiness: Description of the independent variables

[illegible]

6.5.2 Empirical findings: motives for consumption as happiness determinants

Table 6.7 shows the results of the estimation of the three models described in the preceding section following an Ordered Probit model. As the dependent variable has more than two values the meaning of the coefficient, although it can be derived, has not an immediate interpretation. Moreover, as Gujarati (2003) posits, the objective of such models is not to find the expected value of the dependent variable but the probability of something (a specific level of happiness) happening. Thus, the sign and the significance of the coefficient becomes the object of the analysis. For instance, a significant and positive sign of a coefficient will indicate a positive effect of the independent variable on happiness.

In order to check whether the models are more explanatory than a model with only the intercept the likelihood ratio statistic is used. 'It tests the null hypothesis that all the slope

coefficients are simultaneously equal to zero (equivalent to F in linear regression models) it follows the χ^2 distribution with degrees of freedom equal to the number of explanatory variables' (Gujarati 2003: 606). In all three models the null hypothesis can be rejected at the 0.001 level of significance. It is also interesting to note that the goodness of fit (Mac Fadden R-squared) increases from model 1.a. and 1.b. to model 1.c. which indicates that including the *demonstration effect*, *status considerations* and *motives for consumption* gives a better specification of the model.

Table 6.7: Determinants of happiness in the Peruvian corridor

	1.a	1.b	1.c
Log Likelihood	-307.799	-307.070	-297.979

* Significant at 10%

** Significant at 5%

***Significant at 1%

Model 1.a. Happiness, basic needs and consumption

Model 1.a. shows how the happiness of people in the corridor is explained by age, gender, living with a partner, working at home, household's level of intermediate needs, total consumption and type of site. Those findings accord with the literature on happiness determinants presented earlier in the thesis. As expected, and despite being significant, these variables account for less than 8% of the variation in the levels of happiness (Pseudo R^2 of 0.075).

Socio-demographic variables

Regarding age, people in the corridor are unhappier as they grow old until they reach the age of 47 and after then they experience an upturn in their happiness levels¹¹². Similarly, Graham and Felton (2005) found that for their sample of 18 Latin American countries the low point of happiness was at 51 years. As expected, being a man has a positive impact on happiness compared to being a woman in the Peruvian corridor. This is in line with claims of gender discrimination in the country (Schuldt, *op. cit.*) and results of previous empirical studies (Graham and Felton *op. cit.*; Herrera *op. cit.*). Controlling for gender, working at home is positively related to happiness.

People living with a partner (including married people) are happier than heads of households or spouses living on their own. As expected, living in peri-urban and rural areas is positively related to happiness compared to urban communities in the corridor. However, it should be taken into account that in the corridor sample the comparison is between rural and peri-urban Andean communities with urban slums, which do not represent the urban population as a whole, mainly in the capital city.

Some variables that are usually included in happiness studies do not appear as significant for the corridor sample. These are religion, health and being self-employed. With regard to religion, Peru can be considered a Catholic country due to its colonial background under the Spanish rule. Nevertheless, there are remains of Andean religions (Andean syncretism) and other Christian denominations (Pentecostal, Evangelical, other Protestant churches). In general, Catholicism could be identified with more urban and wealthier people (see correlations in table A.6.3 in the appendix) whilst other Christian denominations like Pentecostal would be associated with rural and poorer communities. Both the fact that non-Catholics are a heterogeneous group and that other variables are correlated with religion could make the variable not significant.

People report being in good health as one of the most valued components of the 'good life' (Clark 2002; Layard 2005; Guillen 2007). However, it does not always come out as significant in explaining happiness levels. One reason could be adaptation to physical limitations (Layard *op. cit.*). Another reason could be that in this study the indicator for ill health is chronic illness that is a variable collected through RANQ one year before happiness was captured in the I&E. Although chronic illnesses are by definition long term, their degree of impact changes over time which might explain the non-significance of this variable. Furthermore, most studies take people's satisfaction with their health as proxy for health which, as expected from a perception variable, correlates higher with SWB than objective measures.

Being self-employed in the corridor does not significantly contribute to greater happiness¹¹³. Graham (2004) and Graham and Felton (2006) found that in Peru and Latin-America being self-employed has a negative effect on individuals' wellbeing. Precariousness, volatility and uncertainty are related to jobs in petty-commerce or

¹¹² This is a common finding in happiness studies where the young and the old seem to be happier than the middle-aged (Frey and Stutzer 2002a: 54). Those findings vary with regard to the econometric methods used and the cardinality or ordinality of the dependent variable (Ferrer-i-Carbonell and Frijters 2004)

¹¹³ Table A.6.1. in the appendix shows the typology of economic activities used in the regression analysis and its distribution in the corridor.

agriculture and this is meant to affect people's wellbeing. Since working at home is negatively related to being self-employed and shows to be significantly (although not strongly) affecting happiness, it could be collecting indirectly the effect of being self-employed.

Consumption and basic needs

Following the literature reviewed in Chapter 3 and empirical evidence from Peru and Latin America, it would be expected that income is positively and strongly affecting happiness. Arguments supporting this are usually posited in terms of basic needs as it is argued that when people do not have their basic needs satisfied income matters for SWB. Model 1.a. separates out the two effects by including the INDI that collects 10 indicators of the THN intermediate needs and total consumption. As shown in Table 6.7 both are significant and have the expected signs¹¹⁴.

As expected, people who have higher access to consumption in the corridor are significantly happier controlling for type of site, demographic characteristics, health and level of basic needs. Thus, although having more money to spend is usually related to higher levels of needs satisfaction (see Table A.6.7 in the appendix), consumption has a meaning, a symbolism and a psycho-social purpose that is not fully captured through basic needs.

Concerning basic needs, the higher the number of unmet intermediate needs the more frustrated people feels. The fact that some of the components of the INDI respond to structural characteristics of the communities and are collected by the site dummies might be reducing the significance of the negative sign of the index. For instance, in two of the rural communities people do not have access to electricity. Moreover, in urban slums that are usually populated by migrants is quite common not having relatives nearby to spend time with. In spite of those caveats, having more intermediate needs unsatisfied has a negative effect on happiness beyond the type of community and the amount of money available for consumption.

Model 1.b. Happiness and consumption comparisons

Model 1.b. follows Graham and Felton's work in Latin-America to account for the effect of relative and average (at the site type level) income on happiness¹¹⁵. It includes the same demographic variables as model 1.a. with little variation regarding their significance and sign. Only the positive effect on happiness of the homemaker becomes non-significant. The INDI increases its significance as it might be collecting some of the effects of absolute income; namely those related to spending on basic needs satisfiers (refer to Table A.6.3 for correlation matrix).

Table 6.7 shows that the coefficients for average and relative consumption are significant, which indicates that *the demonstration effect* and *status considerations* are affecting people's

¹¹⁴ In order to check for collinearity between the two variables, the INDI is regressed against total consumption (see Table A.6.2 in the Appendix). An OLS shows a very low goodness of fit, indicating the poor explanatory power of total consumption as a determinant of intermediate needs level.

¹¹⁵ The dummy variable identifying the type of site is dropped in this model because is collected in the average income variable.

SWB in the corridor. This agrees with what previous research has found in Peru and with some characteristics of the Peruvian society (inequality, envy plus recent extensive deployment of marketing campaigns targeted to the lower income groups) highlighted by Schuldt. Thus, living in a neighbourhood where one is exposed to new or more sophisticated goods (this is the case for slum dwellers) has a negative effect on one's happiness. This *demonstration effect* has been shown to be significant in Herrera's work on urban Peruvians and in Graham and Felton's research for Peruvians living in small settlements (less than 5,000 respondents).

Despite the high significance of the average consumption coefficient it should be noted that this variable is collecting the impact of the type of site but in an inverse order. Urban sites are on average richer than rural and peri-urban. The corridor also represents different access to markets, consumption goods, public facilities and different levels of exposure to media. Sites are also different with regard to community involvement and social capital, with physical assaults and general violence being more widespread in the urban slums than in the peri-urban or rural communities. Those structural differences are likely to be collected under average consumption. Therefore, the relatively high value of the average consumption coefficient compared to the coefficient of relative consumption could be characterising problems associated to urbanisation and 'slumisation' in the Peruvian society.

Status considerations are also relevant in the corridor, matching Graham and Felton's findings in Latin-America, especially for the lowest quintiles. People's concern about their own level of expenditure compared to the level of a wealthier reference group shows through the negative sign of the relative consumption coefficient. Richer people in the corridor are usually urban or peri-urban. This entails a higher exposure to diversity of consumption opportunities and to types of products, qualities and brands. Being richer implies having more access to those type of goods which are coveted by their less wealthy neighbours, making the former happier to feel distinct and the latter frustrated for lack of achievement.

However, reference groups and high aspirations are not only related to direct comparison with neighbours. Migrants returning for the village festivity or to visit relatives, together with access to TV, are increasingly raising awareness of the most advanced consumer good even in remote Andean villages (Huber 2002). The latter is not collected through the relative consumption variable since even in small rural communities reference groups might be less local and more global (Colloredo-Mansfeld 1999).

Model 1.c. Happiness and motives for consumption

It is not only through expenditure that consumption affects SWB. The meaning of goods and services and their psycho-social implications are arguably more relevant when it comes to happiness. This was captured through motives of consumption which were included in model 1.c. together with the average and relative consumption variables¹¹⁶. The goal was to find out whether the reasons why people consumed mattered for SWB while controlling for social status and the reference group of the participants.

¹¹⁶ Since motives for consumption are related to non-food expenditure model 1.c. was also run including this variable instead of total average and relative consumption. The signs and significance of the motive variables did not change.

Table 6.7 showed how including motives for consumption increases the proportion of variance explained by 35%¹¹⁷. Moreover, the coefficients of the demographic variables that were significant in the previous regressions are still so, together with the INDI and average and relative consumption. There is little collinearity between motives and the other independent variables (see Table A.6.3 in the appendix) although they are significantly correlated between them (Pearson correlation coefficient $r < 0.45$). This is largely a consequence of the method followed to construct the motive variables¹¹⁸.

In the corridor, consumption triggered by seeking social acceptance, relatedness and position and satisfying basic needs as in the THN is significantly and negatively associated with happiness¹¹⁹. Spending on goods or services because of customs and hedonism does not show up as being significantly related to happiness.

Socially related motives

Spending motivated by wanting to be recognised in one's society or community, to better relate to others and hoping for a higher social position is associated to unhappiness. As described in Chapter 5, in the corridor, those motives mainly triggered expenditure on education, clothes and furniture.

Although of a somewhat different nature, the three subcategories included under 'socially related motives' are likely to be driving the negative sign of the relationship with happiness. For instance, participants believed that only through education could one prosper and achieve respect in the highly class and ethnically stratified Peruvian society. In that context being motivated by social recognition, 'being accepted' or avoiding the pain of being marginalised due to lack of skills (all of them identity related issues that account for most of the socially related motives) is quite likely to pick up the suffering of the poor and marginalised rural participants and the urban migrants of the sample.

Moreover, in the corridor (mainly in the urban and peri-urban sites) in order to feel at ease holding family parties and social gatherings one has to spend on furniture, electric appliances and even clothes that are not always affordable. This might imply that participants who report spending on those goods in order to better socialise are showing their distress at not owning what is needed to engage in the social rituals of an increasingly materialistic culture (Schuldt *ibid.*; Huber *ibid.*; Colloredo-Mansfeld *ibid.*).

Social positioning and comparison is the subcategory mentioned by fewer participants (13%). However, its negative effect on happiness has already been reported by

¹¹⁷ This is a common result in happiness studies. Whenever the researcher includes a variable that reflects the perception of the individual on the objective variable at stake, goodness of fit increases. Rojas (2005) indicates that it is unlikely that objective situations are perceived equally by different people and this is what matters when they appraise their wellbeing. He suggests the conceptual referent theory as a possible way of linking objective and subjective variables.

¹¹⁸ Refer to Chapter 5 for a detailed description of the generation of the motive variables. Respondents could only give five priorities, and motives for consumption and basic needs were the most heavily felt. The more respondents declared to be driven by basic needs, the less the question would capture other motives. Thus, the negative and significant correlations.

¹¹⁹ As with most variables causality could go both ways. In a generally deprived sample unhappier people could be more prone to associate their consumption to basic needs and identity seeking motives than the happier and positive participants.

psychologists. For example, Srivastava and colleagues (*ibid.*) found that motives such as social comparison and self-doubt were negatively associated to SWB. Ryan and Deci (*ibid.*) took them as externally generated motives that might have a negative impact on wellbeing but are necessary for social integration.

In summary, associating one's expenditure to social integration, relatedness and position is negatively linked to happiness. It is quite likely that the reasons lies on the characteristics of a generally marginalised and deprived sample where social motives for consumption are picking up the suffering of being socially excluded and the hope that expenditure of a specific sort will contribute to increase one's feelings of worth through being accepted and well-regarded by others.

Motives linked to the THN basic needs

Spending driven by motives related to the intermediate or basic needs of the THN is also negatively related to happiness. This occurs controlling for basic needs levels as in the THN (INDI) and average and relative consumption. Section 6.4 in this chapter showed that being motivated by basic needs did not correlate with the INDI. Thus, in the corridor, the negative relationship between basic needs motives and happiness does not necessary reflect the frustration of an objectively deprived or materially poor household.

The reasons for the dissociation of the perception of basic needs satisfaction and the level of the household in terms of the INDI could be threefold. First, it could be the case that the indicators included in the INDI do not represent people's understandings of basic or intermediate needs. This will be tackled in the next two chapters of the thesis through the study case of Nuevo Lugar. The second could be related to the type of products or services people spend their money on. If people know that building materials are necessary for shelter but feel that due to lack of access they are not buying the type they would like or are not buying the quantities they need, they will be frustrated. Disappointment might also derive from knowing that whatever quantity they might afford to spend on building materials their need for proper shelter will not be satisfied because of the structural characteristics of the community (such as insecurity or unsanitary conditions). The third might be linked to the sheer poverty of participants since even the ones in the highest quintile are close to the poverty line (Copestake 2006a). Thus, it is quite likely that the negative relationship between basic needs motives and happiness is also picking up the obligation that households have to spend on essentials. As a participant from Nuevo Lugar put it:

...I have to spend on electricity in order to avoid having it cut off, it is necessary to have light at nights.

Section 6.4. also showed that basic needs motives were related to dissatisfaction with the household's current level of basic needs. This also contributes to explaining the negative link between this type of motives and happiness. A respondent from Alegria said:

...I bought two pair of shoes because ours were old, they were worn out.

Thus, in the context of the corridor, motives related to the THN basic needs may represent the frustration of lacking access to suitable satisfiers, the obligations derived from material poverty and the disappointment of a perceived low level of basic needs. In Western households, on the other hand, psychologists found that being driven by basic needs is positively related to SWB: a result of people choosing to do so rather than as a matter of limited opportunities. Moreover, the trend highlighted by Schuldt about

Peruvians being persuaded by marketers to look at global reference groups even for basic items might be stretching even further participant's dissatisfaction¹²⁰.

Custom and hedonism

Expenditure that is declared to be made to comply with external obligations or under threat of social exclusion like contributing to the organisation of a *fiesta* and spending on wedding presents do not show up as significantly affecting SWB. This is a contested issue since ethnographic studies point to a negative effect of such motivations due to its compulsory character and a positive effect through hedonic feelings and redistribution (Mayer 2002; Yamamoto *et al.* 2004). Moreover, abiding to the rules of a community organisation has been linked to reduced chances of upward mobility (Graham and Felton 2000) which could also add to the negative view of expenditure made to conform to community traditions.

Being motivated by hedonism does not show up as significantly affecting people's happiness either. Chapter 5 showed that hedonism was not driving much of people's consumption but it would do if people had more money to spend. They would buy electric appliances, furniture and go on trips just for pleasure, to have a good time and chill out. It would be expected that these types of motives that are internally driven and related to leisure, freedom and impulse (categories in Srivastava's work) would be positively related to SWB and thus enhance people's happiness.

Model 1.c. was also estimated using the dichotomous motive variables generated in Chapter 5. This allowed testing for the effect of the presence of a motive; whether just the fact that a person was mentioning a specific motive had an effect on his/her happiness¹²¹ (refer to Table A.6.9 in the appendix). Despite some changes in the significance of the variables, the demographics, the INDI and expenditure were still significantly affecting SWB. Furthermore, hedonic motives came out as positively and significantly related to happiness. This shows that beyond one's level of basic needs and economic position within the community, being motivated by the intrinsic drive of enjoyment has a positive influence on one's wellbeing. The finding is in line with Ryan and Deci's claim that enjoyment is an intrinsically motivated drive or goal and thus increases SWB. It also agrees with Veenhoven's (2003) findings that sensation-seekers are on average happier.

Alternative measures of SWB

Finally, model 1.c. was estimated with two alternative perception variables (satisfaction with income and satisfaction with non-food consumption) regressed onto all the socio-economic and demographic variables¹²². Results are presented in Table A.6.10 in the

¹²⁰ Schuldt (2004: 245) showed that in 2003, the 100 companies that spent the most in advertising did it through TV, which most of the sample have access. These companies belonged (ranked according to the amount spent) to telephony, banks and insurance, toiletries and beauty products, biscuits, sweets and beer. However, TV is not the only means of propagating information about new products, but tourism and returning migrants in the highlands, the proliferation of shopping malls in middle and low class suburbs of Lima and consumption credit facilities contribute to frustration through consumption.

¹²¹ How the dichotomous variables were created is described in section 5.3.3. of Chapter 5.

¹²² Like the happiness variable, satisfaction with income and non-food consumption are assessed on a three-point scale (refer to I&E survey in section A.4.1. in the Appendix).

appendix. They show how the significance and even the sign of most independent variables is modified, highlighting the sensitivity of this type of exercise to the dependent variables used¹²³. However, the objective of this thesis is not to debate on a single indicator that best describes wellbeing but to analyse the effect of motives for consumption on SWB controlling for expenditure¹²⁴.

As expected, using satisfaction with income and with non-food consumption as dependent variables, motives for consumption come up as strong determinants as the fitness of the model increases in both cases with respect to the model with global happiness (MC Fadden R-Squared >0.17). It also highlights how consuming driven by the perception of unsatisfied needs and the anxiety of being respected in the Peruvian society decreases satisfaction with one's income and non-food consumption. People seem to assess their satisfaction by taking into account why they want their purchases and not the relative amount of money they can spend on consumption (in both regressions average and relative consumption are not significant). It appears that consuming motivated by unsatisfied needs and/or of social exclusion will always have a negative effect on people's SWB whichever the measure used. Again issues of the type of satisfiers used and their ability to fulfil people's expectations become utterly relevant.

6.6 Conclusions

Peruvians show a persistent frustration due to an array of reasons related to economic inequality and labour market precariousness, gender and ethnic discrimination together with political instability, corruption and insecurity. Previous studies have shown that one's level of income does not always raise people's SWB but that the *demonstration effect* and *status considerations* matter more, highlighting the importance of social comparison in the Peruvian society.

This study has confirmed the importance of the above effects in the corridor. Participants are not only happy because they can spend more in order to meet their basic needs, they are happier if they can consume more than their neighbours and unhappier if they cannot. Living in a wealthier neighbourhood where more modern goods and services are displayed is associated with greater distress.

Having a high level of basic needs satisfaction has also proven to be significantly linked to people's happiness. Showing that reconciliation between subjective and broad objective measures of human wellbeing is possible. People in the corridor are happier the more their basic needs for shelter, primary relationships, food, economic security, education, etc. are satisfied controlling for level of income and for social comparison.

As mentioned at the beginning of the chapter, the objective of the study was to add a psycho-social dimension of consumption through the reasons people have to consume.

¹²³ Happiness concerns emotions and satisfaction is related to a more cognitive appraisal. This implies that the factors influencing those two types of variables might differ (Diener and Oishi 2005).

¹²⁴ Happiness, satisfaction with non-food consumption, income, housing, health care, children's education and clothes yield just one factor when factor analysed. This suggests that all the measures are capturing different dimensions of SWB and that they could be clustered in one single factor.

The latter would give information about the meanings of expenditure and how these meanings affect SWB. The estimation of the empirical model has shown that Peruvians' traditional frustration is related to their lack of social insertion in an ethnically-class divided society and the perceived dissatisfaction of their basic needs.

People in the corridor expect that the market, through expenditure on education, clothes and furniture, will provide them with the qualities that are appreciated and valued in the society giving them or their children the opportunity to escape poverty and marginalisation. Then, expenditure originated in these feelings of exclusion will obviously be negatively associated to people's wellbeing.

Finally, most people in the corridor are led by motives linked to the THN basic needs in their daily expenditure. Contrary to what would be expected from Srivastava and colleagues' work in the US, being driven by providing for one's family essentials does not add to people's happiness. In the context of the corridor, people's perception of low achievement in terms of basic needs, the seriously harmful effects of not being able to provide for basic physiological and security needs, and the hypothesised low efficiency of satisfiers contribute to the negative relationship between basic needs motives and happiness. The next two chapters investigate further the role of goods and services as satisfiers; which might shed light on this negative association.

7 Basic needs, the 'good life' and consumption in Nuevo Lugar

7.1 Introduction

In the corridor, consumption motivated by basic needs as in the THN is negatively associated to happiness. People who declare that they consume motivated by basic needs are stating that they are dissatisfied with their housing, their children's education and the healthcare available to them among other needs. This frustration might go beyond the pure effect of having little money to spend implying that what they spend their money on is not deemed sufficient.

The two preceding chapters followed a top-down approach to categorise basic needs motives drawing on Doyal and Gough's (1991) THN. Respondents' motives that could be associated to physical health and autonomy and any of the eleven intermediate needs were codified as basic needs. However, Chapter 6 pointed to the fact that there was not a significant relationship between being heavily motivated by basic needs in one's consumption and the level of basic needs of the household (approximated by the INDI) or people's income. Two questions need further exploration, first whether people's valued functionings are similar to the universal basic needs of the THN. Second, whether the types of goods and services people buy have something to do with the frustration associated with basic needs motivated expenditure.

This chapter tackles the first of the two questions through in-depth interviews and focus groups in Nuevo Lugar, the shanty town of Lima that represents one of the geographical ends of the corridor. It first introduces the three-step approach for the study of consumption from a basic needs perspective. Then it explores the visions of the 'good life' in the slum and compares them to the universal and intermediate needs of the THN. Next, it analyses people's expenditure and defines categories with regard to the degree people stress their importance, the main motives attached to their consumption and sources of information. It finally uses one of the categories to identify 'wanted needs satisfiers', those that are motivated by felt needs which are also essential components of the 'good life'.

7.2 The three-step approach for the analysis of consumption and basic needs

An analysis of consumption from a basic needs approach that takes into account the perspectives of the populations researched requires: first, to investigate that basic needs are meaningful for the participants, that they are valued and considered as important goals personally and socially. Second, that felt needs act as initiators or goals of the consumption process. Third, a methodology of analysis that frames the study of how successful specific consumption practices are in fulfilling people's valued and felt needs. People's accounts are essential but unless faced with clearly faulty products people will tend to report that their consumption choices are satisfactory. Thus, the need for theoretically grounded analytical tools arises. Hereafter, the three-step approach is described in some detail.

7.2.1 First step: Confronting people's accounts with the THN

A first step requires discerning what people consider as priorities in their society. In order to do that this thesis follows the approach used by Clark (2002) in South Africa to generate a list of functional capabilities; those that are valued by the people that are targeted by development programs. Clark believed that evidence that universalist theories represent people's values is necessary if such a framework is going to be applied to assess wellbeing in a specific society or culture. He confronted Nussbaum and Sen's development ethic with the views of poor people in two South African communities by

enquiring about the components of the 'good life' and comparing them to normative lists of capabilities and needs. Clark found that most functional capabilities included in Nussbaum and Sen's accounts of development were valued by respondents. His thorough study also revealed that some items that had not been considered central capabilities like free time, sleep and rest, relaxation and recreation were as valued as having a proper income, house or education.

In this thesis people's accounts of the 'good life' will be confronted with Doyal and Gough's THN introduced in Chapter 3. THN's differentiation between needs and wants is useful to distinguish those goals that if not satisfied result in serious harm for individuals, from those goals that depend on personality, culture and social position. Unlike other approaches to basic needs as means for given objectives and/or behavioural drives the THN takes basic needs (physical health and autonomy) as universal preconditions for participation. These are usually easy to relate to people's accounts of the 'good life', mainly through the intermediate needs or universal characteristics that satisfiers (goods, services and institutions that contribute to basic needs) have to comply with.

7.2.2 Second step: Drivers of consumption and felt needs

A second step concerns whether or not basic needs are related to consumption, either motivating it or as a goal to achieve through it. Chapter 5 showed that in the corridor 76% of consumption priorities were driven by basic needs as in the THN but the local meaning of those needs, their interaction with other motives and their correspondence with people's or communities valued priorities was not analysed. That people's felt basic needs are related to what they value as necessary in their lives or even to what is objectively needed for them to fully participate in their form of life has not been accepted by all theories of need. Doyal and Gough believe that basic needs are not always felt as necessary so it is unlikely that even if people agree on them being a priority, needs would trigger positive actions.

'One can have a drive to consume something, like lots of alcohol, which one does not need and at the same time have a need for something, like exercise or to diet, which one is in no way driven to seek. In the case of the former, the drive is not linked to preventing serious harm in some universalisable manner, even if harm can accrue in the individual if it remains unsatisfied.' (Doyal and Gough 1991: 36)

Not all theorists of needs have followed the above approach; from Maslow (1970) to Hamilton (2003) many have taken needs as behavioural drives¹²⁵. Hamilton highlights the problems arising when theories such as the THN separate needs from drives since he believes that people internalise what is socially accepted as a basic need in a given culture. Once internalised the culturally-relative specification of basic needs becomes a motive for action.

¹²⁵ Des Gasper (1996: 80) classifies theories of needs in three categories: "Positive theories for driving behaviour which posit forces called needs which drive our actions; positive work analysing satisfactions, as in the psychology of happiness literature, that tries to identify what makes people fulfilled, happy or content and; normative/ethical needs theories and arguments about which prerequisites carry a priority status". From the theories reviewed in Chapters 3 and 4, Maslow and Max-Neef belong to the first and second category, Ryan and Deci and Doyal and Gough are identified with the third group and Hamilton's approach swings between the first and the third.

'In excluding need-drives from their analysis, these normative approaches cannot entertain the common fact that particular needs that were once normative goals become legitimised as needs, thereby becoming need-drives and forming part of the empirical 'facts' that are then described in more 'descriptive' work on needs as natural need-drives or even 'biological' need-drives.' Hamilton (2003: 51)

Hamilton suggests a conceptualisation of needs as drives, goals, and necessary elements of human functioning which widens the type of analysis that can be done from a needs-based approach. Furthermore, Hamilton does not provide a list of needs since he argues that needs are dynamic and transformed through history and institutional settings.

This second step draws from Hamilton's approach in that it takes into account the dialectic between needs as drives and as valued social priorities but it goes beyond that in restricting the analysis of consumption to the one triggered by 'wanted needs' (Gasper, 2005). Focussing on 'wanted needs' implies that only satisfiers targeting locally valued needs that have been internalised by people and are thus motivating their expenditure will be investigated. This will be done in section 7.6 by identifying the expenditure people prioritise driven by felt needs and crossing it with local understandings of the 'good life'. This will identify 'wanted needs satisfiers' i.e. goods and services driven by felt basic needs and linked to valued functionings.

Finally, this second step goes further than the analysis of motives undertaken in the two preceding empirical chapters. Since it draws from a more thorough qualitative study, it captures more than one motivation linked to the same expenditure accounting for Maslow's caveat about all actions being multi-motivated. The interplay between different motives might have a lot to say about the impact of consumption of certain goods or services on wellbeing.

7.2.3 Third step: Goods and services as satisfiers

Consuming food in order to be nourished and valuing being physically healthy as a requirement for a 'good life' does not tell us anything about how individuals would go about meeting those needs, which satisfiers would they use. The third step goes in depth into that question focussing on 'wanted needs satisfiers'. It aims at answering the following question: are the goods and services people consume to satisfy their 'wanted needs' effective satisfiers? This type of analysis requires taking into account what human needs theorists have said about needs satisfiers.

The THN describes need satisfiers as "those goods and services which satisfy substantive individual needs within any particular economic structure" (THN: 233). However, goods and services might have different effects on individuals' basic needs not only depending on their intrinsic characteristics but on the economic and social context within which they are consumed. That a poor household spends on expensive private health treatments does not imply their basic need for health is going to improve if such expenditure reduces the amount of money available for food. Identifying typologies of satisfiers is a tricky issue and the THN avoids the challenge by claiming satisfiers to be culturally specific and only their characteristics universalisable.

Max-Neef (1991) faced the challenge and derived a categorisation of satisfiers which he also recognised vary among cultures and historical moments. As described in Chapter 2, he identified five types of satisfiers: synergic, singular, inhibiting, pseudo-satisfiers and

violators or destroyers¹²⁶. Table 7.1 below, reproduces Max-Neef's categorisation of satisfiers introduced early in the thesis (Chapter 2). He posited that not all goods, services and institutional settings result in increased needs satisfaction and that many times satisfiers are not successful in contributing to the need that triggered their use. He pointed at violators, pseudo and inhibiting satisfiers as the most harmful for individuals. If those are increasingly consumed by families or societies their wellbeing in terms of basic needs might be seriously threatened even if they would look wealthy with regard to their total level of consumption or income.

Table 7.1: Max-Neef's classification of satisfiers

Synergic satisfiers	Satisfy simultaneously different kind of needs
Violators or destroyers	Annihilate the satisfaction over time of the need they aim at and they impair the satisfaction of other needs (all the ones related to protection, like censorship, exile ...).

Source: Max-Neef (1991)

Thus, the concept of satisfiers and the categories identified by Max-Neef offer a useful analytical framework to the study of consumption and basic needs. As it was already pointed out in Chapter 6 there is a case for arguing that people in Lima are increasingly consuming goods and services related to satisfiers of the harmful type. Schuldt hypothesised that this could explain some of the frustration of the *Limeños* and the study of happiness determinants in Chapter 6 indicated that consumption driven by basic needs as in the THN was negatively associated with SWB in the corridor. The qualitative work presented in Chapter 8 will take the satisfiers framework to analyse 'wanted needs' consumption in Nuevo Lugar. Thus, the final step of the research will be completed.

7.3 Nuevo Lugar: Structures and context of the research

Nuevo Lugar is a partly self-managed community located close to the *carretera central* linking Lima and the Peruvian highlands. This is a relatively new community created in 1984 by non-violent invasion of a barren, sandy and hilly area outside Lima. Most of the initial settlers were second generation migrants from the *sierra sur* and *sierra central* (Peruvian highlands) who had arrived in the other shanty towns of Lima searching for land on which to build their houses. The 1995 census showed that 48% of the household heads were born in Lima, 49% of the dwellers were under 18 and 35% between 19 and 35 years.

¹²⁶ Max-Neef's typology was linked to his taxonomy of human needs reported in Chapter 2. He developed a matrix where the axiological categories (subsistence, protection, affection, understanding, participation, idleness, creation, identity and freedom) were crossed with the essential categories of being, having, doing and interacting, resulting in different satisfiers (see Table 2.1 in Chapter 2).

The invasion had an organised character since settlers followed the plans already made by the Metropolitan Municipality of Lima in terms of the geographical distribution of the dwellings and of the shared and individual services that would be provided. Basic services such as electricity, water and sewerage were installed during the settlement period and until 1987 supported by the Municipality of Lima. There was also an important presence of external aid through international NGOs.

During the nineties, the area suffered from a significant presence of members of the *Sendero Luminoso* (Shining Path) since the slum was chosen by the Maoist group as one of the bases for their armed fight in the capital city. However, the terrorists were not successful due to the strong will of the dwellers to stop the subversive infiltration at the grassroots and the community leadership level. Key people belonging to the central executive council of the slum and also working for some of the NGOs operating there were assassinated or wounded by the terrorist group in the early nineties (Arevalo 1997). The arrest of the leader of the Shining Path, Abimael Guzman, in 1992 did not mean the end of the terror in the slum¹²⁷. Guzman included members of the governing body of Nuevo Lugar in his list of minor Shinning Path leaders which created distrust and this reduced governmental and international support for a long time (Manrique 2002).

Currently, the slum has about 83,000 inhabitants living in 13,860 dwellings distributed in 23 zones and 239 UCV (*Unidad Comunal de Vivienda* – community unit of housing) (Yamamoto *et al.* 2004). Every UCV covers approximately 1 hectare and has 60 members (either individuals or households) each owning on average 90m² of land. There are clear differences between the lower and the higher zones of the community with regard to access to basic services, public transport, housing and public services. In the lower neighbourhoods all the dwellings have access to water, electricity, drainage and telephone connections and most houses are built of brick and cement blocks.

In contrast, most dwellings in the hills of the slum are built of scrap wood, plastic and thatch. Initially some of the hills were thought to be unsuitable for urban development and no infrastructure works were planned there. People living in the hills settled in the slum from the beginning of the nineties; they were much poorer than the initial settlers and in most cases are not yet officially registered. This fosters an already traditional divide within the slum, where the higher parts are believed to be a hub of delinquency and violence. Despite claims that most settlers in the higher zones have access to electricity, water and drainage services (Manrique 2002), Maribel Arroyo, the WeD-fieldworker states that in some of the highest zones only 20% of the population has access to running water and sewerage is not available although most dwellers have usually built their own pit latrines¹²⁸. In those more isolated neighbourhoods water supply is provided once a week by truck and it is sold at a higher price than in the lower neighbourhoods (Alvarez and Arroyo 2005).

Since the creation of the slum, national agencies have organised soup kitchens, mothers' clubs and 'glass of milk' committees (Arevalo *op. cit.*). With the aid of religious organisations and government agencies the settlers have been able to establish health

¹²⁷ The report of the Truth and Reconciliation Committee (www.cverdad.org.pe) devotes one of its chapters to the slum. It declares that the highest number of deaths occurred after the detention of Abimael Guzman, such was the degree of infiltration of the terrorist group.

¹²⁸ Maribel Arroyo personal communication 15/08/2005.

centres and schools in the area. Nowadays, the provision of medical care is done through public and private institutions. Within the public health services there are 2 hospitals, 1 health centre, 5 primary care surgeries, 1 comprehensive health centre from the local Parish and 2 dispensaries (Alvarez and Arroyo *op. cit.*). In 2002 the slum also had 7 private clinics and 21 private surgeries (Manrique *op. cit.*). Most of the treatments offered in Nuevo Lugar are modern and some institutions offer alternative or holistic medicine such as reflexology, naturopathy, etc. Education facilities are also modern and sufficient although some of them are of very low quality. There are primary, secondary and higher education public and private institutions. Alvarez and Arroyo report that the illiteracy rate is low (5%) and the majority of children of school age are in education.

Most people in the slum are Spanish speakers although some of the elderly migrants are primarily Quechua speaking and not literate in Spanish. There is also a minority of Aymara speaking migrants from the Peruvian jungle. There is a great variety of activities carried out by the dwellers; the most common is some kind of petty trade or business, craftsmanship, drivers of local public transport or factory workers. Seasonal migration to the nearby Andean mines is not uncommon. In terms of traditions the fact that the slum is a destination for migrants that have settled in subsequent waves results in people being more family oriented. Thus celebrations mainly involve weddings, birthday parties, christenings and Christmas. People who can afford the expense, travel to their village of origin for the annual festivities.

Finally, the political context in which the qualitative fieldwork of this thesis took place (July-August 2005) was one of turmoil. The popularity of president Toledo had plummeted. In June and July there were marches in Lima and other cities to protest against corruption reflecting the widespread disillusionment in the society. Despite a GDP growth rate around 4% during 2005 (4.8% in 2004), charges of corruption against the incumbent president and the perception that anti-poverty measures were not sufficient had led the country to lose faith in the government and its engagement with poverty reduction. The situation did not improve much after the sixth cabinet reshuffle in four years in August 2005 (Peru Support Group 2005).

7.4 Methods and data

The empirical data used in the next two chapters draws from the 27 semi-structured interviews held with people from 18 households of Nuevo Lugar and the three focus groups carried out in the slum during July-August 2005 with 13 people in total. The general characteristics of the topic guides used in the interviews and the focus groups are detailed in Chapter 4 and the guides attached in the appendix (Section A.4.2 and A.4.3). Step one is discussed only with interview participants. Steps two and three incorporate the discussions of focus group participants in order to reach a better understanding of the array of factors surrounding 'wanted needs' related consumption.

7.4.1 Enquiring about the 'good life' and the role of happiness

Visions of the 'good life' and the role of happiness were inquired into through open-ended questions tackled towards the end of the interview (refer to the topic guide in the appendix and Table 7.1 below). It was expected that placing them after the more structured questions and the subsequent discussion around motives and sources of information would make it easy for participants to open up and disclose their views. In principle, the questions were easily understood although some participants raised issues about the meaning of the 'good life'. In order not to lead the answers respondents were not given a definition, they were told that the 'good life' could include material and non-

material components, and if necessary a second or simpler question was posed. Participants were always given time to reflect on the subject without being prompted.

Table 7.2: Questions on the ‘good life’ and happiness in Nuevo Lugar

Questions in Spanish	Questions in English
3.b. Que compraria? Porque?	3.b. What would you buy? Why?

Question 1.a. followed those of Clark (2002: 232) but unlike in his research, individuals were not asked about a specific number of aspects of the ‘good life’, neither were they asked to rank them. The objective was not to build a comprehensive list of life priorities but to understand people’s approach to ‘living well’ and whether it was somehow related to the basic or intermediate needs of the THN. The question was open-ended in order to collect the spontaneous thoughts and feelings of the respondents about such issues. Clark points at the risks of relying on open-ended questions when researching about life priorities:

‘The preferences of ordinary poor people may not be a reliable point from which to start, because such preferences are endogenous and may not reflect a fully informed rational assessment of the object that makes a good life for them.’ (Clark 2002: 102)

However, this is a contested issue. Endogenous preferences are about acknowledging the impact of customs and society on preference formation (Nicolaidis 1988), which occurs independently of the wealth of the individual. Information is hardly ever neutral and it is usually conditioned by the status quo and depends on the political, historical and economic conjuncture (refer to Chapter 2 on endogenous preferences). Moreover, informed rational assessments rely on people’s education and this usually represents the mainstream values of the society. However, it is true that information and education open up choices and opportunities but these larger choices are not independent from the structures and thus are in turn also constrained.

Clark also highlights other risks related to open questions about the ‘good life’ since ‘a poor person may learn to take pleasure in small mercies and to desire nothing more in order to avoid disappointment’ (*ibid.*: 101). This was affecting my research, since the fact that participants could not possibly achieve a much better life than the one they were already leading had a strong effect on their responses. Those were mainly around what it seemed possible for them to achieve.

Furthermore, some respondents showed disappointment with life in general which made it difficult for them to reflect upon what a ‘good life’ implied. The poorer and older ones were the respondents with more difficulties describing components of the ‘good life’ that were not related to their ill health and lack of job or income raising opportunities. The words of Bernardo aged 68 show how not having job opportunities limits his willingness to talk about broader life-issues:

Bernardo (68)...I am disappointed with the government and with everything. I do not desire anything now, this was before. Thinking of the older times makes me happy, I had a job".

Clark avoided those two criticisms by designing a questionnaire combining open and closed items around the same topic. This was not the case in this research since as mentioned before the aim was not comprehensiveness but exploration of the topic and comparison with the THN. As Table 7.2 shows, after collecting visions of the 'good life' people were prompted about the role of happiness, which was included in order to investigate whether it was relevant or not once people were given the opportunity to reflect on it.

7.4.2 Basic needs as motives for consumption (interviews and focus groups)

Basic needs as motives for consumption in the corridor have been analysed in Chapter 5 and 6 of this thesis. The questions on priorities and motives for consumption included in the I&E survey (see Chapter 5 Figure 5.1. and topic guide in the appendix) were the starting point from which in-depth interview participants would discuss around their consumption expenditure. The qualitative phase included food consumption since it is essential for people's physical health. Unlike the I&E survey, the qualitative instrument facilitated discussion about the different motives and factors influencing food consumption which unveiled the role of tradition, availability of products, children's demands and other related issues.

The fact that, as in the I&E survey, discussions around motives were limited to what people prioritised and not to the wide (obviously restricted due to their material poverty) array of goods they would consume resulted in most declared priorities being led by basic needs. Focus groups were then used to confront this information (refer to Chapter 4 for a description of the content and dynamics of the focus groups) with discussions on motives and sources of information related to what people 'usually spend their money on'. This resulted in richer accounts of motivations and sources of information and also the opportunity to go beyond individuals' perspectives to get 'local' approaches to consumption. The sampling methods and the characteristics of the interview and focus group participants have already been presented in Chapter 4 (section 4.4.3).

7.5 Step 1: The 'good life' in Nuevo Lugar and the THN basic needs

Table 7.3 shows the ten most important components of the 'good life' ranked by the frequency they were mentioned. Items declared by participants are compared to the basic and intermediate needs of the THN. It appears that health and autonomy, the two basic needs of the THN, are underlying the concepts of the 'good life' in Nuevo Lugar. This was also the case in two previous studies undertaken using similar questions¹²⁹, by Clark in two South African communities and by WeD (2003) in twenty Ethiopian sites. All the items reported in Nuevo Lugar that are related to intermediate needs were also

¹²⁹ The Wellbeing and Illbeing Dynamics in Ethiopia (WeD 2003) survey asked: "Think about the most basic aspects of life. These are the bare essentials without which a person cannot cope or manage at all, and without which life is unbearable. These can be aspects of life that people have, or don't have and need. What are the most basic aspects of life?". Clark (2002) used an untutored and a tutored question. The untutored question was: "Think about the things that make a good life. These items could be things that you already have, or things that you need, want or desire: what are the five most important aspects of a good life?". The closed-ended question went through 38 items in the following way: "I will read you a list of things which might or may not improve life. Are they essential, valuable, unimportant or undesirable?"

mentioned by the Ethiopian and South African participants among the 10 most important components of the 'good life' (see Table A.7.1 in the appendix). These results provide empirical support to the THN claims of universality of basic and intermediate needs. Nevertheless, as it will be discussed hereafter, they question the THN's neglect of mental or emotional wellbeing as a cornerstone of people's basic needs.

Table 7.3: The THN and the ‘good life’ in Nuevo Lugar

[illegible]

Source: THN and fieldwork data (2005). ¹ Items mentioned only by one participant

Table 7.3 shows that being in good health was the most important requirement for a 'good life'. Slum dwellers considered that staying healthy, having access to medicines and health care, to sufficient and good quality food and to a proper house were essential. As expected, people's stress on health and food was paramount in the poorest households. Younger headed households would highlight the importance of a well balanced diet in order to be in good health. Older participants were more preoccupied with having access to treatments and medicines in order to regain health and be able to work and carry out their usual daily activities.

Carola (51)...health together with money, in order to be healthy, being properly fed to be healthy

Laura (69)...I would think health is important for a good life, having access to medicines in order to be healthy in old age

Having a job or running a business, having access to good quality education, some money and above all being in good and peaceful relationships with the closest family were aspects of the 'good life' that the THN associates with the basic need of autonomy. Participants who considered that tranquillity and an emotionally balanced life were basic requirements for a 'good life' also linked them to family unity.

7.5.1 Family relationships and the 'good life'

The importance of communication among family members is generally deemed essential for households of all ages although it seems to have the most impairing emotional effects

as people grow old. Sol aged 36, a housewife in a household of seven, living in the most deprived area of Nuevo Lugar showed her concern about the consequences of a non-united family.

Sol (36) ... It is necessary that all the family members are speaking with each other. If the family is not united, if we quarrel there is no strength to sobresalir (stand up) and everyone ends up going their own way.

People in Nuevo Lugar seem to agree that stable close family relations are the pillars of their wellbeing. Good family relations not only have financial implications, but they also enhance people's self-confidence and strength to go ahead with one's life in a harsh environment. They give people the emotional balance required to engage in social, productive and caring activities and to look after themselves and provide for their own survival. Following the THN, 'good family relations' would represent the Nuevo Lugar's satisfier of the intermediate need 'meaningful primary relationships'. However, unlike in the THN, in Nuevo Lugar the role of family seems to have pre-eminence over other intermediate needs in terms of how it is perceived as impairing people's functionings.

The salience of family relationships has also been found in Quality of Life research in other WeD countries. Jongudomkarn and Camfield (2005) showed that having good family relationships is the most influential aspect on people's lives in five of the WeD Thai communities. Being cared for and to care were important components of the role played by families which had an emotional and financial component. In Bangladesh, Devine and colleagues (2006) analysed family relationships with regard to the basic need of autonomy. They argued that autonomy is experienced through interpersonal relationships and cannot be understood without the institutional context in which it is exercised, the most determining factor of which are family ties.

Clark highlighted people's remarks about the importance of 'being loved' by family and friends especially for South African urban dwellers. He directly established a linkage between family relations and happiness going beyond pure emotional or financial support. He portrays a reality quite close to the one in Nuevo Lugar and Thailand with regard to the devastating effects of family break up very often linked to alcohol abuse.

'Several respondents indicated that a good relationship with family and friends facilitates happiness and enhances the quality of life. Yet the family is not a happy or harmonious institution. Poverty has a habit of generating stress and frustration, which undermines relationships. Often the poor seek refuge in the abuse of alcohol. The consumption of alcohol exacerbates tension in poor households and often leads to domestic violence and abuse. Many of the people we interviewed expressed the need for better 'communication' or 'understanding' among people or wanted to strengthen personal relationships with family and friends.' (Clark 2002: 123-124).

Linking with the above issue, medical scientists have long proved that lack of a good affective upbringing causes deficits which impede or inhibit the development of psychological health (Veldman 2001). Not being psychologically healthy hampers normal participation in one's society so it should be central in any account of human basic needs. Family gives the emotional support people need to feel empowered and grow in good physical and psychical health. One of the expressions of a psychological and physically healthy individual is happiness (Ryan and Deci 2000).

The THN does not incorporate happiness or positive emotions as a component of the basic or intermediate needs. Positive emotions and the relationship with psychological

health are almost only tackled in relation to the intermediate need 'significant primary relationships'. Doyal and Gough argue that the unhappiness derived from losses of family or friends is said to potentially lead to mental breakdown and depression. They also maintain that isolation can harm individuals' self-esteem and thus deplete their autonomy (THN: 207-208). Hence, they partially acknowledge the role of strong family and friendship bonds in increasing people's autonomy and improving health through affective development and positive feelings. However, they do not give it a central position in their theory. Only recently Gough (2003) recognised that mental wellbeing and affiliation should be incorporated in the THN.

'Though the basic structure of THN appears sound, it would help to distinguish two further basic needs along side health and autonomy. First, mental wellbeing, cognitive capacities and competences, to recognize the importance of the subjective and the emotional in human wellbeing. Second, affiliation, belongingness and relating, to recognise the centrality of collective membership and identity in wellbeing. THN does stress both close primary relationships and social participation, but these need to be brought to the centre ground.' (Gough 2003: 2)

7.5.2 Happiness and the 'good life'

In Nuevo Lugar only one interview participant mentioned spontaneously fun and feelings of joy as components of a 'good life'. However, when they were prompted and directly asked whether happiness was important or not most participants acknowledged its centrality. As expected from the importance given to family relations as a component of the 'good life', happiness was closely related to living in a tranquil family environment, without quarrels and tension between household members. Some participants also associated happiness with being satisfied with one's achievements, having hedonic feelings and behaving in a virtuous way¹³⁰. Samuel aged 50 illustrates how tightly linked are the concepts of happiness and good family relations in Nuevo Lugar. Emilio aged 38 highlights the importance of satisfying basic needs as a prerequisite for happiness.

Samuel (50)... Happiness is about tranquillity with my family, having no problems. That we do not have rows at any time, otherwise we cannot be well.

Emilio (38)... When I have good health, food, a solid roof and my children are educated I am happy.

As shown in Table 7.2 participants were also asked about the contribution of consumption to happiness. Over half of the respondents declared they would be happier if they could buy more things. Most of the things they would spend their money on would be related to the household, like food, shoes and clothes for the family members together with pottery and crockery. They would also spend on education and housing, but men also mentioned expenditure related to their own pleasure or self-realisation like buying a car or investing in a business¹³¹.

¹³⁰ As Rojas (2005) posits not everybody has the same concept of happiness in mind. This does not imply that happiness is not related to positive emotions, it only highlights the fact that those positive emotions might come from different sources: one's mental attitude renouncing to material wealth, behaving virtuously, being satisfied with one's material possessions and persona, etc. This thesis does not investigate further people's understandings of happiness but it underlines the fact that in Nuevo Lugar the concept of happiness differs between people.

¹³¹ This is also the case in Bangladesh where men stress much more than women 'the importance of developing personal competence, self-efficacy, self-mastery and so on' (Devine *et al.*, 2006:17).

People who declared they would not be happier if they could buy more things generally stressed the unimportance of material aspirations and the importance of valuing what one has, living a virtuous life and being close with the family. Lionel an Evangelical 47-year-old head of a poor household on the highlands of Nuevo Lugar explains that believing in God and having an understanding in the family is more important for happiness than material things.

Lionel (47)...Personally I do not think that I would be happier if I could buy more things. However, it could be the case within the family. We believe in God, therefore we feel happy, calm. Money does not give happiness if you are not calm. Having an understanding with the family is important

7.5.3 Non-hazardous work and physical environment

Finally, it is relevant to note that although participants' accounts of the 'good life' tackled almost all the intermediate needs of the THN, non-hazardous work and physical environment were not explicitly mentioned. They were implicit when people referred to a proper and stable job, to comforts and proper housing and to government intervention. These issues cannot be solved by single individuals but they require public action. The long history of government corruption and unaccomplished promises to the poorest population might have resulted in disappointment and people not contemplating issues of working conditions and security as potential components of the 'good life'.

Not only might the political situation affect the apparent disregard of broader requirements of safety and security as basic needs, but arguably the fact that people feel it is their choice to have migrated to Nuevo Lugar prevents them from publicly acknowledging some of the risks attached to the decision (Akerlof and Dickens 1990). Moreover, the lack of success of collective actions directed to non-physiological needs in the shanty towns of Lima (Almirall 2006) might contribute to helplessness and reinforce neglect among the population.

Arguably, the exploratory work presented so far supports the view that components of the 'good life' in Nuevo Lugar share common characteristics with the basic and intermediate needs of the THN. Moreover, empirical evidence shows that good close family relationships have a pre-eminent role as contributing to the 'good life'. Initially, the THN did not specifically include an affective dimension as universal goal or basic need nor gave special relevance to family and close supportive relationships. Recently Gough (*op. cit.*) informed by theoretical and empirical research, has acknowledged that this neglect might be leaving aside crucial aspects of a person's wellbeing such as affiliation and psychological balance.

7.6 Step 2: Drivers of consumption and felt needs in Nuevo Lugar

Step 2 concerns understanding motivations for consumption in Nuevo Lugar and comparing felt needs driven consumption with people's vision of the 'good life'. Motives for consumption are derived from applying the same questions on priorities of consumption of the I&E survey to interview participants in Nuevo Lugar (see topic guide in the appendix). Unlike in the I&E survey, the qualitative phase addressed all consumption expenditure including food and beverages. Since the aim of this phase of the research was to understand motivations and how expenditure is a result of more than one drive, discussion about reasons to consume was encouraged. This was especially vivid in the focus groups where people might find that categories of consumption are easily driven by more than one reason simultaneously.

Table 7.4 below shows priorities of consumption in Nuevo Lugar for the interview participants following the type of analysis undertaken in Chapter 5. It presents the rankings for every category of consumption following the INEI classification (refer to section 5.4 in Chapter 4) and the associated scores as calculated in section 5.5. As in the corridor, Nuevo Lugar participants stress the role of housing maintenance and services, clothes and education and underplay the importance of household durables and other expenditure. However, health care expenditure seems to be more relevant for the urban sample¹³². Those together with housing and food concern people above and beyond education expenditure.

Table 7.4: Ordering of consumption priorities in Nuevo Lugar

	Current consumption priorities		Consumption priorities if richer	

Source: Fieldwork data (2005).

As expected from the characteristics of the slum, electricity and water bills were widely mentioned as priority expenditure. Home improvements and maintenance had a very secondary position. Food was a great concern among participants and was the item that more people ranked first (46%). Health expenditure and education concerned almost half of the participants but were only ranked first by three people each. Health expenditure was the first priority for elderly people and a person who recently had an accident. Education was ranked first by people deeply worried about their children not being able to thrive and lead a better life than them.

As in the corridor, people stressed their need to spend on housing, education, food and clothes in the event of a permanent increase of income. Within housing, buying a house and building materials to improve the roof of the dwelling, the type of materials (from wooden panels to bricks for instance) and the security of the shack (proper doors and locks) were highly stressed. More expenditure on education would be related to taking children to private schools or paying for further or vocational education. Table 7.4 shows how other categories like furniture, trips and leisure and gifts or donations to relatives would become the second priority for people in Nuevo Lugar (under 'others'). It also illustrates how household durables take a pre-eminent role within which TVs, fridges, cookers and Hi-Fi systems were the most commonly mentioned.

¹³² This goes in line with the results of the Kruskal-Wallis test applied in Chapter 5 to identify differences among the corridor sites which show that urban households are significantly more concerned about housing and health than their corridor counterparts.

Focus groups confirmed the above results, widened the categories of current expenditure, and offered a rich debate on motivations and sources of information. In terms of priorities of consumption the same patterns were repeated: food, medicines, education, housing and clothes being the most important expenditure. However, other expenditures that did not come out in the interviews since they were not considered among the most important arose: children's allowances, tobacco and liquor, slot machines and bingo, cosmetics, jewellery and hairdressing.

The fact that respondents would still allocate an income rise to improving the level of satisfaction of their felt needs by increasing the quality of their houses, spending on better or more education and food implied, as in the corridor, that basic needs in Nuevo Lugar are perceived as not being fully satisfied. In the unlikely event of a substantial permanent increase of income, most of the households would still be investing in those categories linked to intermediate needs and would declare that they are motivated by the satisfaction of their own needs or those of their children.

Table 7.5 below collects a disaggregated account of categories of goods, motives and sources of information brought out by interview and focus group participants¹³³. For each type of expenditure, there is information about the instrument and questions where it came up and the motives and sources of information associated with the category by at least one participant (either in the interviews or in the focus groups). The patterns derived from Table 7.5 suggest a typology of consumption based on when certain goods and services are prioritised, the types of reasons people in Nuevo Lugar associate them with and the sources of information they draw on.

¹³³ The typology of motives and categories of consumption is more disaggregated than in Chapters 5 and 6. This is in order to better illustrate the types of goods and services discussed by people in Nuevo Lugar.

Table 7.5: Categories of expenditure, instruments, motives and sources of information in Nuevo Lugar

Groups	Category of expenditure	INSTRUMENTS			MOTIVES										SOURCES OF INFORMATION											
		Interviews: current priorities	Interviews: potential priorities	Focus groups: broad current expenses	1.Personal needs	2.Other household members needs	3.Enjoy, have good experiences	4.To better relate with family, friends	5.Improve social position	6.To be respected, be someone	7.Compensate what I lacked in my childhood	8.Custom/ habit	9.Relax	10.others' needs	1. Children, spouse, boyfriend	2. Relatives	3.friends, neighbours, community	4. Street vendors, catalogue vendors	5. Local shops, market	6.Religion	7.1 Television	7.2Radio	7.3. Press	8.1GoVernment programs	8.2School	8.3 Doctors
Priorities	Food	x	x	x	x	x	x	x	x			x			x	x	x		x		x	x				
	Water/electricity	x	x	x	x	x	x			x																
	Clothes	x	x	x	x	x	x	x		x		x						x					x			
	Medicines/vitamines	x	x	x	x	x	x														x		x			x
	Education	x	x	x	x	x	x		x	x											x	x		x		
	Travel expenses	x	x	x	x	x	x	x			x											x	x			
	Building materials/maintenance works	x	x	x	x	x	x		x	x								x	x				x			
	Furniture	x	x	x	x	x	x		x	x	x	x									x					
	Leisure	x		x	x		x	x													x					
	Toiletries and detergents	x		x	x	x	x														x					
	Fuel	x				x															x					
Potential priorities	Household appliances (TV, hi-fi, radio, ironing board, blender, kitchen)		x	x		x	x	x	x	x	x					x	x	x	x				x			
	Car		x	x	x	x		x	x	x	x										x		x			
	Presents(watch, washing machine)		x	x	x	x		x				x		x				x	x				x			
	Helping relatives		x	x	x																					
	Trips and holidays		x	x	x		x	x		x	x		x						x	x				x		
Secondary expenditures	Allowance			x		x	x																			
	Tobacco/ liquor			x	x		x	x				x									x	x				
	Slot machines, bingo			x								x														
	Cosmetics			x				x	x			x						x	x							
	Jewellery			x			x	x	x			x														
	Hairdresser			x			x	x	x			x						x	x		x					

Priorities of consumption

As Table 7.5 shows, this category includes expenditure undertaken by most households viewed as a current priority by interview and focus group participants. Most expenditure is also seen as a priority in the event of a permanent rise of income and is driven by satisfaction of felt needs (personal, children's) and to a lesser extent by socially related motives such as relating to friends and neighbours and improving one's social position. Main sources of information for this expenditure are TV, local shops, friends and neighbours.

Quotes from Libertad, Manuela and Bernardo illustrate how expenditure on piped water, electricity and food is being driven by felt needs. First, Libertad, a mother of four having no access to piped water declares the importance of having enough money to pay the water sellers.

Libertad (46)... I prioritise paying the water bills because I do not want to suffer from lack of water; this is the most important for us.

Households in the hilly areas of the slum do not have piped water but they have access to electricity. Most households highlight the importance of electricity for children to be able to do their homework, for the family to spend evenings together and in order to watch TV. However, the fact that the high areas of the slum suffer from continuous assaults and robberies makes the use of this service also a matter of physical security.

Manuela (75)... I spend on electricity because if it is dark the thieves can easily break in.

Finally, food is always mentioned as a basic need driven expenditure. However, some people would acknowledge that habituation also determines how often they eat and the type of food they buy. Some would also highlight that the pleasurable feelings associated with a good meal would also motivate their expenditure on food. Bernardo (68) illustrates how essential food is for survival.

Bernardo (68) ... I spend on the soup kitchen because we have to give oil to the car.

Motives other than basic needs related to these categories mainly came up in the focus groups and they were sometimes difficult to isolate. Patricia explains how although clothes are needed to cover one's body what they choose to wear is informed by trends and fads.

Patricia (24)... I follow fashion when I buy clothes for my daughter. It is a need that one has and on TV you see the latest fashion and you buy it.

Some participants disclosed that pleasure was also leading some of their priorities. Little treats like soft drinks or a meal in a local restaurant would also be considered as important although they would only be socially accepted after one has spent on more 'basic' things. Carol a single mother living in a wooden panelled shack in the higher areas of the slum illustrates this.

Carol (31)... 'After having bought food, vitamin supplements, clothes and spent on education there also have to be some pleasures, no?'

Finally, it stands out how all participants stressed the importance of TV adverts and programmes for their consumption decisions. Felt basic needs were motivating them, but

which satisfiers to use would be first moulded by TV commercials and then by technical constraints like the availability of products in the local shops or markets and/or advice from friends and neighbours.

Emilia (74)... We choose the soaps and detergents we are used to. Some detergents damage one's hands when one washes

Maria (27)... We know which is good through TV commercials

Constanza (50)... Yes, mainly commercials and press. Sometimes we also ask the shop assistants which is the best and they recommend one... other times we just take the cheapest

Potential priorities

'Potential priorities' are seen as priorities only in the event of a permanent increase in income. Relatedness and identity building are important motives for the consumption of those goods although electric appliances and cars are also talked about as enhancing people's autonomy and thus contributing to basic needs. In general TV and press are the main sources of information.

The fact that possessions give a higher status to people is highly contested among participants. Even if they accept that wealthier people are highly regarded they do not necessarily approve of it. People stress the fact that the ones who have many possessions in Nuevo Lugar develop a distant attitude towards the neighbours which places them at a higher social level. It is the attitude linked to wealth that makes them different. However, this is not the case for everyone and even in Nuevo Lugar, indigenous people or *cholos*¹³⁴ might not be better regarded even if they are wealthy. This links back to the struggle for identity that takes place at all levels of the Peruvian society highlighted in Chapter 6. A discussion about the reasons to buy a car by focus groups participant illustrates this reality.

Juan... (61) cars are also bought to be more respected in society

Enrique... (48) if you have a car you would be more respected because almost no one has a car available at 8 a.m., it is a big expense, and a result of your own effort (...) you will deserve respect because it would show that you have striven to get a car.

Vicencio... (51) I do not think people own a car to be respected. Would this mean that the one who does not own a car is not respected?

(...)

Cosme... (53) for instance my neighbour has three cars but some neighbours respect him because of his behaviour. He is very distant, apathetic. What is the use for him of having three cars? I think all lies in the personality one shows with others. If people identify themselves with what they have and make that their personality, their reasoning and their way of relating to others, then there is a sort of circularity...

Juan (61)... I think that this is just lack of relationship with the neighbours

Enrique (48) (...) this is the problem then, you are respected even if you do not have a car, even if you do not own anything (...) but as I always say if a man is thought to be a good person, mainly not very sociable, and on top of that he has one more car people would look highly at him

(they all agree)

¹³⁴ *Cholo* identifies people from mixed Spanish and indigenous background. It is usually said as an insult to poor and indigenous-looking people.

Enrique (48)... then this would mean respect. But if someone has a car but they are 'cholos' would you respect them?

(they all say they would not)

Secondary expenditure

As Table 7.5 showed 'secondary expenditure' was never mentioned as current or potential priorities but was usually undertaken by some people in Nuevo Lugar, mainly richer dwellers of the low areas. They were clearly multi-motivated and relatedness, habit and hedonism were salient drives. Spending on these categories relied on information from neighbours, street vendors, local shops together with TV commercials. How spending on oneself to look pretty is a habit as well as a source of pleasure is shown by focus group participants when they talk about having a hair do and buying jewellery.

Ramona (30)... Going to the hairdresser is just a habit. It is like a hobby that I have monthly or even fortnightly because of vanity.

Constanza (50)... yes, we buy jewellery to look prettier because it is nice to look good, to see ourselves elegant, beautiful.

The description presented so far is tightly related to the analysis undertaken in Chapter 5 for the corridor participants. However, here what people buy is considered with regard to the multiple motivations that drive their consumption and the sources of information they draw on. A thorough analysis of how personal motives interact with institutions and external information sources and how they vary within categories would be very interesting. However, the aim of this second analytical step is to identify categories of expenditure that are driven by the valued basic needs. Those appear to be the ones belonging to the 'priorities of consumption' that originate in the desire of meeting felt basic needs that are normatively valued and considered essential in Nuevo Lugar.

7.6.1 The 'wanted needs satisfiers' in Nuevo Lugar

Although consumption priorities in Nuevo Lugar are generally driven by felt basic needs they carry with them a diverse array of meanings and influences. Step 1 showed that visions of the 'good life' in the slum were quite close to the THN intermediate needs. Therefore, referring to the intermediate and basic needs of the THN has a meaning for people in Nuevo Lugar and it is not just a normative approach designed by Western academics. Table 7.6 below, links the components of the 'good life' in Nuevo Lugar with the priority expenditure reported to be largely driven by felt basic needs (priorities of consumption). It shows that most goods and services that are reported to be motivated by felt basic needs could be easily taken as satisfiers of the local concepts of the 'good life'. Thus, building materials, utilities, food, medicines, consultations, vitamin supplements etc. can be classified as 'wanted needs satisfiers'; those goods and services the consumption of which is triggered by the satisfaction of felt needs that are valued in the community.

Table 7.6: Visions of the 'good life' in Nuevo Lugar and priorities of consumption

Visions of the 'good life'	Priorities of consumption (‘wanted needs satisfiers’)
	Clothes and shoes
	Building materials
	Furniture
Religion, helping others, not drunkard, Government intervention, Having fun	Leisure

Source: THN and fieldwork data (2005)

As said before physical health was the most important component of a good life in Nuevo Lugar. When people discussed the reasons why they spent on treatments, medicines, hygiene products, housing services, food, clothes etc., they highlighted how those items would contribute to their *physical health*. However, RANQ data shows that this expenditure is not adequate to guarantee a good standard of physical health in the slum. In Nuevo Lugar 26% of people are ill and not seeking treatment of which 43% do not do it due to its high cost. More than half the population reported to have suffered from food shortage of some sort and half of them do not have a good source of drinking water. Moreover, most of the houses in the high areas are made of wooden panels, and have plastic sheeted or thatch roofs. Only 58% have a flush toilet or an improved pit latrine.

With regard to *autonomy*, expenditure on education, transport and communications and even clothes and shoes¹³⁵ is driven by the basic need of fully understanding and participating in Peruvian society. RANQ data shows that the Nuevo Lugar sample has a lower rate of illiteracy (4%) than the country average (12%¹³⁶); that most people (62%) have completed primary education and that education facilities are easily accessible (91% have the educational facility within less than 30 minutes from home). However, data on quality of education and prospects of finding a job is not available. Concerning transport costs people deem public transport necessary to get to school and work. Walking, even if it is feasible, is not often an option since they are very concerned about physical assaults

¹³⁵ Clothes and shoes contribute to physical health as much as they do to autonomy by enhancing people's chances of acquiring a job or participating in local or neighbourhood associations.

¹³⁶ UNDP (2006)

and robberies. Natural shocks do not affect people in Nuevo Lugar as seriously as they do their corridor counterparts and relatives' illnesses and deaths are the more usual causes of distress in the slum.

Good family relations are a salient feature of the 'good life' becoming a key element for people's wellbeing. This prominence cannot be directly associated to one specific expenditure in the slum. Nevertheless, most basic needs led consumption was done with or for the sake of children or other relatives living in the household. Family concerns were usually behind most expenditure motivated by basic needs as the following quotes show.

Ines (35)...I pay the electricity bills so my children are able to do their homework. It also gives us the opportunity to spend some time altogether, not to be in the dark.

Enrique (48)...I have bought three TV sets lately, one for each of my children because they do not want to use their money for those things. They work but they do not spend, they do not spend on electric appliances, they do not help to buy what they require, I provide for their needs, they do not.

RANQ does not inquire into the quality and meaning of people's relationships but it provides an indicator of how often people relate with close relatives other than household members. 57% of RANQ participants from Nuevo Lugar reported having spent time with their relatives during the week of the interview (75% in the corridor). However, this does not imply that family networks are not active in the slum as most people have close relatives in the area and in some cases they were the ones who informed them about the possibility of settling in the slum, buying a plot there, finding a job and a school for their children.

Finally, focussing on 'wanted needs satisfiers' in Nuevo Lugar facilitates the analysis of the existing gaps between what people value as essential for their lives and what people achieve through their expenditure. Priority expenditure such as food, building materials and health care is not enough for people to satisfy their need for physical health. Autonomy seems to be better accounted for although physical and economic security are not guaranteed (refer to description of Nuevo Lugar), education might not result in higher chances of getting a job and close meaningful relationships might be scarce. Lack of money can be the main reason for households not to be able to meet their felt needs. Nevertheless, as Max-Neef and Schuldt pointed out the type of satisfiers used in the slum might also be threatening people's fulfilment.

7.7 Conclusions

This chapter has developed two of the three steps of a basic needs approach to consumption. It has first shown that people in Nuevo Lugar view the 'good life' as sharing core characteristics with the intermediate and basic needs of the THN. They implicitly and explicitly value functionings that are very close to what is considered as basic needs from the THN universalist approach. Some issues like the key role of family relations as promoting both physical health and autonomy have arisen since participants accounts have repeatedly stressed the calm, tranquillity, emotional and economic stability associated with family unity.

As expected, felt basic needs drives most expenditure in Nuevo Lugar. The qualitative instruments have made it possible to account for the multi-motivation of human action. The latter, together with the exploration of the sources of information people draw on to make their decisions, has helped to understand the dynamics behind people's consumption. Three categories have been derived, 'priorities', 'potential priorities' and 'secondary expenditure'. The first are mainly driven by felt basic needs that appear very

close to the ones that are valued as societal objectives. They constitute what this research refers to as 'wanted needs satisfiers'. A general description of RANQ data on intermediate needs satisfaction in Nuevo Lugar shows that satisfiers might not be sufficient to boost basic needs levels as felt by local participants. It points to the fact that people might be facing serious challenges in their pursuit of wellbeing.

The next chapter focuses on housing, food, health care, education and expenditure on electric appliances. The first four are the expenditure most largely prioritised in Nuevo Lugar. Housing, food and health care seem insufficient to meet people's felt and valued basic needs, education appears to perform better and electric appliances are investigated due to their explicit linkage to family relationships. The analysis will contribute to answer one of the research questions of the thesis i.e. are the goods and services people spend their money on effective in satisfying basic needs?

8 ‘Wanted Needs satisfiers’ in Nuevo Lugar

8.1 Introduction

This chapter presents people's accounts regarding 'wanted needs'¹³⁷ satisfiers' in Nuevo Lugar which correspond to around 80% of the household's budget (WeD I&E first round). First, it illustrates how people go about housing, food and health. These are categories of expenditure that despite being highly prioritised seem not to be sufficient to meet basic needs levels in Nuevo Lugar. The chapter also explores people's views about expenditure on education and household appliances. The former takes 16% of total expenditure and is apparently successful in increasing people's autonomy as shown by literacy indicators. The latter is exemplified by the case of Ruth, a relatively wealthy participant who prioritises household appliances over food and health care in order to keep the family united.

Continuing with the analysis of Chapter 7, this chapter focuses on Step 3 of the study of consumption and basic needs by addressing the specific goods and services people use as 'wanted needs satisfiers'. This links back to the findings of the quantitative analysis presented in Chapter 6 where motives related to the THN intermediate and basic needs were seen as negatively associated to happiness¹³⁸. It builds on the work of Max-Neef on types of satisfiers and follows up the hypothesis of Schuldt about people in Lima increasingly consuming satisfiers of the harmful sort.

Like Chapter 7 this study mainly draws on qualitative data from the twenty seven interviews and three focus groups carried out in Nuevo Lugar. Data from other WeD quantitative and qualitative studies and secondary sources is also used. Thus people's explanations of specific satisfiers are confronted with other available data at the community or country level. Making use of the available information I attach a label to the 'wanted needs' satisfiers following Max-Neef's classification. Time constraints have made it unfeasible to discuss the final classification with the participants but it might be done at a later stage.

8.2 Exploring 'wanted needs' satisfiers in Nuevo Lugar

Electricity, water bills and building materials were regarded as the highest priority satisfiers in Nuevo Lugar, followed by food, health care and education. All of them were reported to be integrally related to a good life, thus normatively valued. The next sections present the analysis of the qualitative data from the focus group discussions and the conversations with interview participants about the characteristics of the things they spend their money on. The sort of goods and services they usually buy are identified together with the processes involved in their consumption.

¹³⁷ As seen in Chapter 7, household appliances are not always 'wanted needs' satisfiers but in this chapter they are investigated from their role as contributors to family harmony.

¹³⁸ In chapters 7 and 8 the focus is on local concepts of basic needs whilst in chapters 5 and 6 basic needs were linked to the THN basic and intermediate needs. Step 1 showed that views of the 'good life' in the slum shared core characteristics with the THN. Step 2 showed that those are likely to be driving most expenditure in Nuevo Lugar. Thus, it is quite likely that the concept of basic needs motives used in the regression analysis (Ch. 6) has some similarities to the one used in this part of the thesis.

Chapter 7 showed that people's valued functionings could be linked to the intermediate needs of the THN. Thus, the analysis of each category starts with a description of the meaning that in the THN is given to the universal satisfier concerned. Then it focuses on the local reality and finishes with a preliminary discussion inspired by Max-Neef's work.

8.2.1 Adequate protective housing: Building materials

Housing is related to the avoidance of illnesses in the THN but it is argued that what is understood as adequate housing is relative to different societies. However, the THN claims that there are three satisfier characteristics that should be met by a proper dwelling: protection from extreme climate, diseases and diseases transmitters; proper sanitation and enough space to avoid overcrowding.

RANQ captures some characteristics of dwellings that give a general picture of what the situation is in Nuevo Lugar. A large majority of houses have access to electricity (87%) and most have a house with cement or concrete roof (53%) and either they have a flush toilet or an improved pit latrine (58%). However, there are still many dwellings with thatch or plastic sheets roofs (43%) as well as a large amount of households (39%) that share their flush toilet or pit latrine. Moreover, the slum does not have an effective refuse collection service and lacks adequate disposal infrastructures so waste is thrown away on the streets. A common scene is children and adults going through the piles of litter to make a living as well as ill street dogs wandering around the junk.

In Nuevo Lugar electricity and water services together with construction materials were heavily prioritised. They were essential in order to satisfy their 'wanted need' for 'proper housing'. Households that were currently undertaking home improvements stressed the importance of increasing the quality of the house materials, from reeds, wood panels and thatch to bricks, concrete and cement. They were also concerned about building additional bedrooms to allow household members more privacy. A more secure house was an issue for people living in the higher parts of the slum, where robberies are common and houses are not built of solid enough materials to deter thieves¹³⁹.

In general, expenditure on housing was motivated by basic needs related drives like protection, hygiene and security. However, socially related motives were often of equal or even higher importance. This is illustrated by the discussion held by male household heads during the focus group.

Enrique (48) ...yes, when you do home improvements your social position progresses because your house will no longer be a small hut, you would not want to live there...you want more hygiene

Cosme (53) ...it has a higher value

Enrique (48)...it will have something catchy

Juan (61)... and a good atmosphere...

Enrique (48)... when visitors come, like for instance now. You (to the researcher) would not like it if we were holding the meeting in a shack and around a small table. In order to relate with others having a better social position...now you see everything changed, because it is built...

Motives such as not being looked down on were also driving people's investments on house improvements. Parents would try to avoid children feeling ashamed of their

¹³⁹ People in the slum do not trust the police, they even argue that the slum was a safer place before the national police moved in (Alvarez and Arroyo 2005).

dwelling and would work hard to make possible the usually long postponed major alterations. Silvia (33) a mother of seven living in a shack in one of the relatively wealthy areas, said:

Silvia (33) ... I am spending on building materials not to live within reeds. My children ask for it, they are ashamed, they are ashamed but I am not.

Together with avoiding children's embarrassment, some people also viewed doing maintenance works or alterations to improve the quality of the dwelling as an investment for their children's future. It was also a way to compensate what one lacked during their childhood by giving it to their children. Enrique, a former member of the military who had a deprived childhood in the highlands of Peru justified the need to have a proper house drawing from his childhood experience;

Enrique (48)... I knew there were good houses, but I never had one... somewhere to live. I had a house but it was not built

In terms of sources of information, relying on handymen, plumbers or builders is quite common as well as on neighbours' knowledge of materials and shops. Local shops and catalogues are often used as guidance for purchases and TV adverts are also considered. However, people from the wealthier areas would take into account the beauty of the house, whether it was appealing to visitors and elegant. It would be usual to dream of the type of houses relatives living in wealthier areas have, although what is shown in magazines and TV would also have an impact.

In short, people in Nuevo Lugar were in general concerned about the state of their dwellings. Although on average they have better public facilities in terms of availability of clean water and electricity than their corridor counterparts, sanitation inside and outside the household, lack of space and low quality materials offer a threat to health and autonomy. Not having a proper hygienic and safe house, not being able to give children enough privacy and feeling marginalised due to a low quality dwelling worried a lot of households in Nuevo Lugar and triggered most current works.

In principle, expenditure on construction works contributes to meeting housing needs adding up to the *singular satisfier* characteristic of a house. Participants would invest on furniture or other additional alterations that might have an aesthetical purpose which would give them a better position in the community. This expenditure would give housing a *synergic satisfier's* characteristic since it might contribute to primary relationships by facilitating social gatherings and celebrations. However, it is very unlikely that in Nuevo Lugar private spending on home improvements is enough to protect households from illnesses, illness transmitters and theft. Insects, pets and suspended dust carrying bacteria from the piles of litter dumped in the streets might still affect dwellers of the most modern houses and put their health at risk. Robberies together with corrupted or inefficient police forces will keep challenging people's safety. Then, expenditure on housing is not enough to make a dwelling become a *singular satisfier*. It might remain a Max-Neef *pseudo-satisfier* until government programmes on infrastructures, public hygiene and crime prevention reach the confines of the slum.

8.2.2 Adequate nutritional food and water: Expenditure on food and water

As the THN states a minimum intake of food and water is required to keep bodily functions and thus to satisfy one's basic need for health. Food and water are physiological needs and taken by Maslow (1970) as the starting point of his motivational theory. As Maslow (*ibid.*: 37) posits, 'In the human being who is missing everything in life in an extreme fashion, it is more likely that the major motivation would be the physiological

needs rather than any others. A person who is lacking food, safety, love and esteem would most probably hunger for food more strongly than for anything else'. His remarks raise at least two related concerns, first how deserving someone should be to be guided only by physiological drives and second whether those can manifest together with other more socially related but equally powerful drives.

RANQ data shows that most people in Nuevo Lugar do not have enough nutritious food. 56% of participant households reported to have experienced shortages of vegetable and animal proteins and staple food during 2004. Hence, it does not come as a surprise that food was the second priority expenditure and the third basic requirement for a good life (refer to Table 7.3. in Chapter 7). Food purchases were also seen as priorities of consumption in the event of a rise in income, indicating that current food expenditure was not deemed sufficient¹⁴⁰. Children's malnourishment was a general concern. For instance Emilio, one of the poorest household heads in the sample declared:

Emilio (38) ...if I had an increase in permanent income I would buy food in order to avoid my children's malnourishment because they are very young and they do not generate defences...

On the other hand his wife Ines would also prioritise food in the hypothetical event of an income increase but she would stress the role of discovery and novelty, thus relating food to pleasurable feelings.

Ines (35)... I would spend my money in food in order to buy what we have not eaten before, to try new things...

Focus group discussions clarified the previous pattern. They pinned down a kind of normative hierarchy of motives. Basic needs in terms of physiological requirements would go first and only after satiation would people allow themselves to consider spending on food to enjoy a good tasty meal. For instance Constanza, mother of four, would intervene in the focus group saying:

Constanza (50)...food is necessary, without eating we cannot live. We have to eat in order to be fed, not to have anaemia and then, the other motive would be to take pleasure in little treats, to enjoy...

Focus groups dug out other reasons to spend on food in Nuevo Lugar. Besides physiological needs and pleasure, issues such as habituation, relatedness and improving social position emerged. People argued that they were habituated to three meals per day and they questioned the fact that one needs to eat as many times. They also said that food was sometimes linked to family celebrations such as birthdays, weddings, christenings and first communions. Those would not be understood without good traditional food that would be prepared by the host family and shared with their guests.

Moreover, food could also play an instrumental role. Relatively wealthy people would use a good meal to get a new job to avoid being fired. It was a commonly accepted practice to try to persuade influential people by inviting them to a good restaurant. Cosme and Enrique discussing about food said:

Cosme (52) ... we spend on food to improve our social position as well. If you want to keep your job, then inviting your boss for a meal...in order to flatter him...

Enrique(48) ...yes and one would also invite him to black beer?

¹⁴⁰ More people in Nuevo Lugar (16%) feel their food is not adequate compared to the average of the rural sites of RANQ (8%).

Cosme (52)...Of course!

When it comes to type of food children do not easily accept traditional Andean staples like wheat, matchca, maize, Kiwicha, quinoa, and would ask for more processed food like pasta and arroz Chaufa (the national adaptation of Chinese fried rice¹⁴¹). Ines and husband Emilio would agree on the fact that they have to struggle to make their children eat the traditional pulses:

Emilio (38)...children do not adapt to the food of the highlands, they demand 'arroz chaufa' instead of 'sopa de moron' (beans soup) that is less expensive and more nutritious...

Children usually walked along the stall-filled Nuevo Lugar's high street on the way home from school. The ones that were given allowance would even buy some chocolates or soft drinks. Most of them would be attracted to the very popular chicken restaurants and would demand the same type of food at home. TV and radio programmes had an effect on children's preferences on food but they also provided parents with information on new products as well as on balanced diet through educational programs. One participant from a very poor neighbourhood mentioned the usefulness of the *escuela de padres* (parents' school) in teaching them how to better prepare food for her family.

Interview participants stressed the influence of their own Andean heritage and the goods available in the local shops and marketplace as the institutions affecting their choice of food. Nuevo Lugar has a relatively extensive commercial area with the *Avenida 15 de Julio* and the *Mercado Central* (central market) as its landmarks. The *Avenida 15 de Julio* is the main shopping street where a miscellaneous range of shops is located. All the restaurants offer *pollo a la brasa* (grilled chicken) and *arroz chaufa*. There are also lots of street vendors selling fried food such as *anticuchos* (typical fried animal hearts), sweets and soft drinks and some bars selling fruit juices that are also quite well-liked and cheap. Moreover, one can find some very popular grocery shops where people usually buy rice, dried pasta, cooking oil and *menestras* (pulses). The central market offers a wide variety of goods from CD-DVD to poultry, clothes and furniture and it is believed to be the cheapest in the slum. It is separated into sections and people usually go there daily to buy their food and usually rely on the salesperson's advice.

Nevertheless, relying on local shops and available products shows more of a technical and economic constraint than a preference for local shops, markets or goods. Most households interviewed regardless of their social status, pointed at the amount of chemicals in the food they have access to¹⁴². Some would feel frustrated due to the fact that they cannot avoid buying products that have not been chemically treated¹⁴³. They generally longed for the quality they were used to in their home towns since food was straight from the *chacra* (allotment), free from preservatives and fertilizers. They also related the lack of availability of nutritious food to the need to take vitamin supplements and even one

¹⁴¹ Nevertheless, migrant urban households consume on average more Andean traditional products than non-migrants (Smith and Trivelli 2001).

¹⁴² This also concerns the food poorer people get through the *comedores populares* (popular kitchen) at a reduced cost.

¹⁴³ This is also related to the fact that people in Nuevo Lugar are materially poor and cannot afford food of the best quality. Smith and Trivelli (*op. cit.*) found, as expected, that Peruvian urban migrants focus more on the price of foodstuff than other urban households. They posited that this is also related to the lower levels of income of migrants.

participant remarked that Andean people live longer due to the quality of their food. Isabel mother of 3 from Ayacucho in the Peruvian highlands, says:

Isabel (35)... Here we usually eat rice, maize, pasta and sometimes meat. In Ayacucho we used to eat mote, cancha, matchca, papa sancochada¹⁴⁴. Everything from the highlands is better, people there last more, and they do not age¹⁴⁵.

RANQ confirmed the inequalities of access to good drinking water reported by other studies about Nuevo Lugar. Only 50% of the RANQ sample had private piped water or used bottled water to drink; these were households living in the low areas. Settlers in the hilly parts of the slum usually had an outdoors storage tank which would be filled weekly by a private company charging relatively expensive prices¹⁴⁶. This situation resulted in most interview and focus group participants being concerned about access to water supply and declaring water bills as a priority expense.

In the event of an income rise some households would still prioritise water services. This highlighted that a number of people could not afford to have enough water to meet their daily requirements. It concerned the ones living in the high areas or people who were experiencing regular cut-offs of water supply due to lack of payment. As could be anticipated, those expenses were reported to be undertaken in order to satisfy basic needs in terms of hygiene, drinking and cooking food. One participant mentioned the higher social status attached in Nuevo Lugar to people in the lowest areas because, among other facilities, they have access to piped water whereas people in the upper parts of the slum drew from water storage tanks.

In summary, food is usually associated to nutrition and health which in general would make it a *singular satisfier* with tradition, relatives and local shops being the institutions influencing the most. In addition, when food is discussed as a general category it shows characteristics of a *synergic satisfier*. It does not only fulfil nutrition needs, but pleasure and relatedness, and is even used to keep or maintain jobs, thus contributing to economic security. Food approached as a synergic satisfier is more linked to TV adverts, radio and again tastes or recommendations made by relatives. Finally an interesting insight into types of food comes from the fact that most people are immigrants and had to adapt their cooking to the available food in Lima with the influence of young children being paramount. Then food is at risk of becoming a *pseudo-satisfier* since its nutritional properties might be put aside by taste, fashion and convenience. TV, local shops and markets seem to influence the most the transformation of food into a pseudo-satisfier.

8.2.3 Appropriate health care: Medicines, consultations and vitamin supplements

In the THN, physical health is a basic need related to the competence of individuals to fully participate in their form of life. Health care contributes to physical health if it provides the best techniques for preventing, curing and palliating illnesses. Doyal and

¹⁴⁴ Andean staple food.

¹⁴⁵ Despite Isabel's testimony chronic malnourishment affects more heavily people living in the highlands. In 2000 50% of people living in the rural Andes showed signs of chronic malnourishment. This was only the case for 12% of people living in Metropolitan Lima (Sanchez-Grinan 2003: 41).

¹⁴⁶ They pay 1.50 s./ by the cylinder.

Gough also point to the importance of the politics and practice of prevention which could have a key role in developing contexts where people do not have money enough to complete the course of treatment. They suggest two types of indicators to assess the appropriateness of health services: the provision of medical inputs and people's level of access to those services.

In Nuevo Lugar, *provision of medical inputs* is done through public and private institutions. Within the public medical services there are two hospitals, one health centre, five primary care surgeries, one comprehensive health centre from the local Parish and two dispensaries (Alvarez and Arroyo *op. cit.*). In 2002 Manrique wrote that in addition to public institutions the area had seven private clinics and twenty private surgeries. Most of the treatments are modern and some institutions offer alternative or holistic medicine such as reflexology and naturopathy.

On the *utilisation* side, Manrique reported that in the year 2000 33,713 people used the public health services (34% of the slum's population), which did not imply that the rest of the slum dwellers did not need treatment¹⁴⁷. As RANQ data shows 26% of the sick declared not seeking treatment mainly due to its high cost. The most common illnesses people were treated for were respiratory related, diarrhoea, urinary track illnesses, dehydration and tuberculosis¹⁴⁸. Manrique highlighted the fact that most health conditions in Nuevo Lugar could be avoided if a health prevention strategy was applied. The strategy should start with a proper refuse collection since at present the situation is chaotic and most infectious illnesses are consequence of the lack of public hygiene:

"The public refuse disposal service does not suffice... between 10% and 20% of solid waste produced daily in the slum is left uncollected.... uncollected waste is dumped in the so called 'critical points' of the community. Every fifteen or twenty days, the municipality undertakes special operations to clear those 'critical points'. However, those actions are not a solution but just a palliative since they hardly neutralise the sources of infection generated in those 'critical points.'¹⁴⁹ Manrique (2002: 14)

On the demand side, besides expenditure on soap and detergents, there were three categories directly linked to keeping one's health: consultation fees, medicines and vitamin supplements. Whilst money constraints came up as a deterrent for following a prescribed treatment, some people reported to have spent on quite expensive private consultations, medicines and vitamin supplements.

Consultation fees

Consultation fees and medicines were a priority for many households but only two interview participants saw them as such in the event of an income rise. The two respondents were of the lowest wealth range and lived in precarious dwellings in the high

¹⁴⁷ The Encuesta Nacional de Hogares (ENAHOG) for 2003-2004 shows that only 41% of the Peruvian population has health insurance. The situation is especially worrying for the poor as only 35% have access to health insurance of some sort, mainly the public *Seguro Integral de Salud* (SIS) (INEI 2005).

¹⁴⁸ TB affects lots of households in the slum. Lack of knowledge about the illness and the lack of proper attention in the public services are argued as the main reasons for not following a treatment (Alvarez and Arroyo 2005).

¹⁴⁹ In Spanish in the original.

areas of the slum. Carol (31) was concerned about her children's health and would like to spend on vitamin supplements for her child; Begoña (66) would spend on injections and pills to soothe her arthritic pains.

Most of the interview participants that claimed health related expenses to be among the five most important priorities were women. They usually attended public surgeries and the cost of consultations did not seem to present a problem¹⁵⁰. Women living in the poorest conditions were sometimes offered health services for them or their children, by the Municipality or the local Christian nurses for free. Few people gave very positive feedback on public health care. Some said that since they knew doctors in public institutions would only prescribe drugs and would not examine them properly they preferred to look for private alternatives. Two elderly participants who declared not to have their own income and lived in very poor material conditions were attending private surgeries on a regular basis.

Laura (69), illiterate, was attending a doctor's private surgery once a week in order to be treated of her rheumatic disease, lungs and kidney problems. Each time, the treatment was costing her s./20, 10% of her monthly available income. She switched to the private surgery because she knew the doctor working there. She met him at the local hospital where he had successfully treated her of a previous heart condition. He then advised Laura to continue treatment for her other illnesses at his private surgery which she agreed to because she trusted the competence of the doctor. Since she was too weak to work and could not afford to pay the doctor by herself she asked her children to cover the costs.

Manuela (75), illiterate and financially dependant on her daughter was regularly attending a private Chinese doctor's surgery in downtown Lima. She recalled to have recently spent s./ 414 on consultation fees and s./ 170 on a three month dose of medicines bought at the surgery. Manuela showed us the medicines prescribed by the doctor and we could see they were vitamin supplements with a high percentage of calcium, a very common drug for osteoporosis available in any chemist of the slum. She was aware the consultation and the medicines were more expensive than the ones prescribed by public sector doctors. However, she still preferred the Chinese doctor as he was keeping her well informed about her condition and treatment. He had also assured Manuela that he would cure her osteoporosis; contrary to the public health doctor she had previously attended who had said that there was no cure.

Manuela (75)... The medicine that he (the Chinese doctor) has prescribed is twice as expensive as the one I used to take before... but the other (prescribed by the public health doctor) did not work. The other doctor did not examine me, only prescribed drugs...he did not say until when I had to take them.

Manuela knew about the private doctor through a neighbour of hers who came across the sales representative of the Chinese brand in the *Mercado Central*. The neighbour was persuaded to attend the surgery and afterwards recommended the Chinese doctor to Manuela.

Trusting the health practitioner is a matter of utter importance for most people. Poor people in slum are exposed to a large series of diseases related to their living environment, which increases their concern with health issues. The rise of private surgeries and the sometimes questioned public health care services trigger the search for

¹⁵⁰ There is always a fee for consultation, s./ 2 on average.

alternatives. Those are not only pursued by the relatively wealthy but by poor illiterates who might be more vulnerable to discourses of a miraculous cure.

Medicines and vitamin supplements

Consultation fees for public health care seemed not to present a problem even for the most materially deprived in the slum and some of them were even attending relatively expensive private surgeries. However, problems came up when people had to pay for their medicines or treatments. They complained that medicines were very expensive and people would rarely complete any given treatment. As with consultation fees, not only lack of money troubled the sick but also lack of information about their illnesses and treatment.

Laura (69)... I was prescribed very expensive pills, s./ 6.50 each one, which is why I am not going there (to the public practice) anymore. Doctors do not say that you have this or that, they give you painkillers and that is it!

Early withdrawal from treatment was confirmed by a local pharmacist. She explained that the most popular drugs were painkillers and antibiotics of which people would not buy more than three pills in one go with an average cost of 60 cents of sol (around 15 pence). This implied that in most cases people would not complete the course of treatment.

Despite the alleged lack of money to buy enough medicines, some households spent on relatively expensive vitamin supplements. This was usually the case with more educated households and people who were acquainted to one of the vitamin brands' representatives. People treated vitamin supplements as complements to medicines when there was ill health in the family, especially affecting children, but some of them took supplements to complement their poor diet.

It is interesting to point out the functioning of the sales strategy of pharmaceutical companies operating in the slum. They usually tackle small grocery shops and offer the owners the opportunity to represent their brand and promote it in the neighbourhood. They distribute informative leaflets and they also hold seminars about the lack of nutrients in food and the consequences of malnutrition.

Among the interview participants there were two sales representatives of two different Mexican pharmaceutical companies. One of them used to advise well-off families to give their children one sachet per day (s./ 2.50) although she agreed that once a week should be enough when there is not a health condition. In general the two sales representatives accepted that those supplements were 'more expensive than meat' but they deemed them necessary to keep in good health. Lucio, a doctor in the local Policlinico showed his concern about this upcoming trend:

Lucio... what we really miss is a good educational program targeted at families because they think that with a good vitamin supplement they are giving everything they can to their children but it is not like this. It is much better to give more nutritious food and the true love that mothers should give their children. They would need a talk by a nutritionist so they know how to prepare suitable food for every age. With regard to doctors, the Colegio de Medicos or the Ministry of Health should ask doctors not to prescribe multivitamin supplements. There should be a law on that or an open dialogue and a call for suggestions.

Health related expenditure in the slum seem unsuccessful in meeting people's felt needs. On the one hand, RANQ data shows that few sick people are not attending consultations due to the high costs of the treatments. On the other hand, this research shows that it is not the consultation fees but following the prescribed treatment that is the problem. This is not only due to the lack of money, since some very poor elderly participants declared to

be attending relatively pricy private surgeries. Lack of information about illnesses and treatments arise as a key explanatory factor of people's health care and treatment choices in the slum.

Therefore, there is a risk in Nuevo Lugar of health care expenditure not reaching the characteristics of a *singular satisfier*. First, even if consultations and treatments were the right ones and could be afforded, illnesses related to poor public hygiene and waste disposal would still be recurrent. Second, older people in the slum seem either to go private and/or to withdraw from the treatments due to insufficient information.

Elderly people who go to private surgeries perceive they are given personal attention and feel reassured by the explanations and tests private clinics offer to them. However, this does not always imply a better medical assessment and often private doctors charge relatively high fees and prescribe common drugs at higher prices than public practitioners. All those aspects result in health expenditure often becoming *pseudo-satisfiers*.

Finally, the use of vitamin supplements is spreading in Nuevo Lugar. Women have internalised the need for those drugs in order to prevent or cure common illnesses. Vitamin supplement brands have deployed a strategy of 'door to door' marketing that is increasingly involving local retailers. Those vitamins are more expensive than the basic brands in local chemists and might distract participants from spending on better and more nutritious food. So, as above, people might be consuming another *pseudo-satisfier*.

8.2.4 Appropriate basic and cross-cultural education: Education expenditure

In Nuevo Lugar 94% of the population over 15 years can read and write so illiteracy is not prevalent although there are scattered cases among the older population. Education is the fourth priority expenditure in the slum. Households strive in order to pay their children's school materials and fees. In general, having access to 'adequate' school facilities has been one of the main motivations together with political violence and lack of job opportunities for households to move from the Andean highlands to the slum.

The importance of education in the THN comes from its instrumental role in contributing to autonomy including critical autonomy. Thus, education is valued for it develops the faculty of analysing, comparing and reflecting upon one's cultural rules in order to accept them, change them or escape them by migration. The THN recognises the socially embedded value of education which has to be relevant for 'the vocational needs of the community or the emotional needs of individual students' (Entwistle 1979, parts I-II cited by Doyal and Gough 1991: 61). However, it does not explicitly relate the autonomy enhancing properties of education with social prestige or status but focuses on social participation.

Since the reform of the education system in the twenties (Morillo 2006), the Peruvian population has internalised a pragmatic meaning of education. Since then, acquiring knowledge is mainly valued for it is believed that it increases jobs prospects; which relates to the pragmatic aspect of education included in the THN. Parents believe that by helping their children to get the 'right' qualifications for a 'proper' job they are contributing to enhance children's chances of meeting their basic needs in the future. However, and as discussed in Chapter 5 for the corridor, education is also perceived as the way to enable people to build an identity that deserves respect. Education is not only a means of getting a job but a badge that guarantees social recognition.

An example of the latter is illustrated by the conversation between Felicia, Ramona and Pepa during one of the focus groups. They discuss the motivations in the flash cards¹⁵¹ mainly focussing on the social integration role of education. Later, Pepa introduces a new dimension not commonly accounted for, the pleasure of learning and having fun at school.

Felicia (20) ... I spend on education in order to be someone, to be respected, to improve my social position. To improve one's social position is to stand out in your career, to be better in this sense, not to be the same as the others. Being respected depends on what you study I think, this is the way to get anywhere...

Ramona (30)... to improve in society and to be respected... someone without education is a nobody, does not get any job, is not respected by others...yes, here people without education are treated differently....

Pepa (24) ... if people are not educated they are not respected, but besides that I could also say that I get education to enjoy and have good experiences. I have a child, and when I was studying I did not value attending school, now I would like to enjoy those experiences and I am going to do it shortly.

Some families reported not to be satisfied with the quality of education. They argued that schools in the slum offer a poor education and students progress is not monitored. Disappointment with the treatment teachers give to parents was also reported. This was tightly linked to discriminatory practices towards the *serrano*¹⁵² and poor indigenous-looking immigrants. Samuel (50) father of five, living in a borrowed shack in the high areas of the slum reported having suffered from discrimination at his children's school. He explained that when parents attend school meetings or they want to speak to the teachers they are not listened to, they are ignored. Samuel found it disrespectful that teachers would wear shorts and were not properly dressed, which, to him, was a sign of insolence. His testimony links to Valdivia's (2001) study of ethnicity, poverty and social exclusion of rural migrants in Lima. Valdivia found out that discriminatory practices strongly manifest in public spaces and institutions and those are not only related to ethnicity but to type of clothes, command of the Spanish language and rural origin.

People who could afford it sent their children to the local private schools. They believed that private schools, despite not requiring teachers to have the national teaching certificate¹⁵³, controlled students' attendance and the quality of their homework, which was considered a sign of better schooling. None of the participants would prefer the instruction they got in their Andean hometowns, since despite all the problems, Lima offers better possibilities for secondary and further education than the Andean communities.

¹⁵¹ Flash cards with the main categories of motives brought out in the pilot groups and initial interviews were used in the focus groups in order to trigger discussion on motives (refer to section 4.4.3 in Chapter 4).

¹⁵² Serrano identifies a rural person from the Peruvian highlands.

¹⁵³ Most teachers in primary schools have studied in *Institutos Superiores Pedagogicos* (ISP). However only people who have completed five years of studies in the ISP and submitted a research project are awarded with the national teaching certificate (*Titulo pedagogico a nombre de la Nacion*) (Ministerio de Educacion 1999).

Most participants were concerned about their children's education and it was common for them to discuss their experiences with local schools with neighbours and relatives. Again, TV programs and commercials played an important role since some people declared to have found educational institutions from TV commercials as well as press. One focus group participant highlighted the importance of widely advertised government programme offering specialised education *SENATI* (Servicio Nacional de Adiestramiento en Trabajo Industrial). A poor mother of three stressed the influence of religious institutions. Her eldest son had been included in a sponsoring scheme organized by local catholic nuns who had made her aware of the need to fight for her children's education.

In summary, expenditure on education aim at making individuals gain social acceptance and recognition. It is expected that a higher education would lift people out of material poverty through jobs and would give them respect and position. It would also contribute to autonomy through the economic, cultural, social and political opportunities opened to more educated people with a job. If expenditure on education implies increases in the possibilities of finding a non-precarious job, they would make education a synergic satisfier enhancing economic stability, increasing people's confidence and thus autonomy and health. However, this is a quite unlikely scenario for people living in the shanty towns of Lima.

Marginalisation is difficult to avoid in a strongly discriminating and stratified society even if people get a relatively well-paid and recognised job. Valdivia (2001) argues that in Peru there is discrimination from all social groups against the groups below. The higher classes, considered 'white', discriminate against the members of the middle classes from Lima who in turn discriminate against the middle classes from the highlands. Those discriminate against the *cholos* or indigenous people who can even be from their own departments or villages of origin. Thus, it is very unlikely that people reaching a higher social position through education avoid feelings of social or ethnic discrimination. This results in education performing as a *pseudo-satisfier* for most people in Nuevo Lugar.

Furthermore, the precarious and unstable Peruvian labour market does not offer many guarantees that educated people from slums such as Nuevo Lugar can get a relatively stable and recognised job¹⁵⁴. The labour market is increasingly diminishing its rewards to people without high degrees (Graham 2005), which are very difficult to get due to lack of information and the relatively high costs¹⁵⁵. Thus, educated slum dwellers are usually left with fixed term jobs in the informal market reinforcing the *pseudo-satisfier* characteristic of education. Households spending on primary and secondary education might feel as endowing children with knowledge and future prospects of social inclusion but might not be able to avoid their economic insecurity and low possibilities of social and political participation.

¹⁵⁴ It is estimated that only 5% of people in Nuevo Lugar hold jobs as public servants (teachers, nurses, policemen, etc.). Those are highly regarded jobs in the slum for their stability and fringe benefits (Alvarez and Arroyo 2005)

¹⁵⁵ The high costs of further education are a serious deterrent for youngsters from Nuevo Lugar. Moreover as Copestake (2003) points out referring to Figueroa's *SIGMA economy* model there is not much incentive for the government to provide higher education for free since it could weaken skilled workers' privileged position.

8.3 Electric appliances as satisfiers: The case of Ruth

People in Nuevo Lugar have unequal access to electric appliances. Despite electricity being widely available, lack of money results in the wealthy having access to most household durables whilst the poorer daydream about them. As reported in Chapter 5 regarding the Peruvian corridor, people who currently buy electric appliances acquire music systems, TV sets, DVD players, which they generally relate to leisure and entertainment. Poor people would like to have those items but they would first spend any additional money on blenders, fridges and cookers. These would be bought to contribute to people's needs for nutrition, thus enhancing physical health.

Besides concerning enjoyment and nutrition, in Nuevo Lugar expenditure on electrical appliances were also talked about as promoting family relationships by creating a good atmosphere and facilitating celebrations and family shared enjoyment. As in the corridor, appliances such as fridges, irons and gas cookers were seen as necessities and somehow linked to family unity by easing gender relationships within the household. It was not uncommon for men to talk about buying electrical appliances to please their wives and as compensation for their hard work at home.

On the whole, electrical appliances were strongly linked to having a higher status and gaining respect. The more you have in general, and also of specific goods, the more respected you are and the higher your social position. This links back to the definition of materialist cultures by Inglehart (*op. cit.*) as they are characterised by being focussed on Maslow's (*op. cit.*) lower needs such as economic and physical security. It also relates to psychologists' work on materialist values which are defined, among other things, by basing people's success on their material possessions (refer to section 2.6. in Chapter 2).

Climbing the social ladder by owning goods was mentioned in all of the focus groups. When middle-aged men talked about the motivations for buying a car, Enrique explained how material things would give people status in Peru.

Enrique (48)...it sometimes happens that people that have possessions look down on others (all participants agree). This is a reality here in Peru. I do not know what happens in other countries but here the wealthy overshadow the ones who are below, and it should not be like this..."

Thus, electrical appliances are seen to be contributing to people's lives in various ways. They contribute to basic needs, they facilitate gender relations within the household, they make a statement about one's wealth and social position and they facilitate sharing moments of fun and celebration. However, electrical appliances were not commonly owned by slum dwellers. As Vilchez (2006) points out the market of durables in Peru is still small with regard to other Latin American countries despite the increase of consumer credits in the local currency since the early 2000's (Banco Central de Reserva del Peru 2002) and most people have items around 10-15 years old. Out of the 265 RANQ participants in Nuevo Lugar 88% had a TV set¹⁵⁶, 20% a CD-player, 16% a fridge, 17% a camera and only two households owned a DVD player.

Among the qualitative sample there was only one household that owned all those items. Both the head of the household and the spouse participated in the survey and neither of them mentioned electrical appliances as a priority. Despite their comparative wealth in

¹⁵⁶ Most TV sets were black and white and second hand.

terms of assets, Ruth (48), the household head, declared that she considered her and her family to be undernourished. She also complained about her serious asthmatic condition and general exhaustion due to overwork. She explained that she had to take more than one job to be able to meet all her duties (pay the instalments of the appliances, send money to her elderly parents, support her two unemployed daughters). She argued that the main reason for her strive to buy comforts was to keep the family united. The next section summarises Ruth's case.

8.3.1 Ruth: Electrical appliances as destroyers

Ruth

Ruth, a widow, is the head of a household of six composed of three daughters, a grandson and her partner (father of the youngest daughter) who is unemployed. She is catholic and has higher education. She owns two houses in the slum, one of them a guesthouse, where the two elder daughters live. She also works as a chamber maid at a country club. She is asthmatic, arthritic and has skin problems due to stress. She declares that the monthly family income is s./ 1,100, far below the s./1,800 said by her husband.

Electric Appliances

She has recently bought two brand new TV sets, a DVD player, a fridge, a microwave and a gas cooker. She bought them through hire-purchase, which was compelling her to a monthly payment of s./425 approx.

Motives: avoiding family breakdown

First, Ruth argued that she bought a TV set to watch the news; next she explained that the other household members wanted a new TV to watch entertainment programs and films. As the conversation went on about the reasons why she was making so many efforts to buy durables she explained that her goal was to avoid discussions between her daughters and her partner. She explained that her family used to argue about when to use the TV and what programmes to watch. She claimed that as a mother she wanted to give 'comforts' to her children so she bought two TV sets one for the daughters and one for her partner. She also acknowledged that she might be putting her health at risk just to buy all those items.

Ruth justified her purchases of a gas stove, a fridge and a microwave as a means of preserving family unity. She bought them to furnish the new house that her partner is building.

Ruth... I spent on those because we did not have those appliances in the new house, and sometimes he (the partner) wanted something hot and was getting annoyed, then it is better to cook for him in the new house and avoid problems.

Researcher...then he does not need to come to the old house

Ruth...yes, he used to swear and then I would come back from work and he would complain ... that mortified me, but now I have to make the sacrifice of handing money over and paying the instalments...

Sources of information

She buys what the daughters and her partner ask for. They have seen the appliances on TV or talked about them with relatives and acquaintances. When it comes to the actual purchase, she usually goes back to the same shop in Chosica (the suburb of Lima where she comes from). The shop assistants give her advice about new products on the market. As they know her as a good customer, it is easy for her to enter the hire-purchase system.

Basic needs appraised

Ruth related having asthma and skin problems to her hard work and high level of stress. She reported that she was constantly taking pills and using the inhaler but that this was no longer enough and her health seemed to be worsening.

Ruth...it is a sin to wish one's death but sometimes I am full of despair...better to be dead, relaxed ... I am constantly taking those pills, using the inhaler very often which does not help anymore I am working doing beds, now my chest is painful, as if it is burning because of so much work, I have to clean the bedrooms, we have 119 bungalows and we are only 9 workers...always on the move (short of breath).

During the conversation Ruth insists she is not satisfied with the food the family eats but due to her financial situation she cannot afford to buy better food. She acknowledges that if her partner or elder daughters (30 year old twins) got a job and contributed to pay the instalments, the family would be better fed and she would be able to relax. She says she has asked them to help out but they claim there are no job offers in the slum. When asked whether the daughters were searching for jobs, the fear of family fights arises again:

Ruth...here there are many unemployed ... and jobs do not pay much anyway ... I say to my daughters, they should find a job, but they answer that they will pack their things and leave... and to avoid that...

Despite Ruth's relatively high income, she cannot escape the hire-purchase system which imposes high levies on her and forces her to trade off health and nutrition for autonomy through primary relationships. Her family seems never to have enough and there are constant demands for new devices to replace the old ones.

As mentioned earlier in this research, Jackson and Marks (1999) in their analysis of UK expenditure from 1954 to 1994 also found that durable entertainment goods (television, radio, video and sound systems) were not satisfying the needs they were meant to 'actualise'. However, in Britain expenditure on electrical appliances was not reported to be driven by the strengthening of family bonds but by participation, idleness and creation. Jackson and Marks concluded that these items had become mere *pseudo-satisfiers* since the targeted needs were not increasingly met in the UK. In Ruth's case, expenditure on electrical appliances make the universal satisfier primary relationships a Max-Neef *violator* or *destroyer* since Ruth's health and her family nutrition requirements are left aside.

Ruth was not the only participant who would spend on material things to keep the family united. However, due to time constraints other cases were not pursued further. It is difficult to evaluate the extent to which such behaviour is spread across the slums of Lima. The increase of consumer credit in *soles*, the territorial expansion of retail stores offering credit facilities, the social value attached to material possessions and the advertising strategies of retailers might be contributing to the spread of situations like Ruth's. This was already pointed at by Schuldt who related the increase of malnourishment in Lima from 2001 to 2003 to the crowding out between expenditure on food and expenditure on durables.

Finally, it is interesting to note that a recent report by *Indecopi* (*Instituto Nacional de Defensa de la Competencia y de la Proteccion de la Propiedad Intelectual*) shows how *Elektra*¹⁵⁷ employs people to intimidate customers (sometimes violently) who are not able to pay the monthly instalments. This adds to the threat of such expenditure for poor people. It is likely that

¹⁵⁷ Elektra is the Mexican electrical appliance retailer from which Ruth is buying her appliances.

Elektra deployed these strategies due to the increase in debts of poor consumers. The Peruvian economy experienced a GDP growth of 6.7% during 2005 (World Bank 2006), thus failure to pay is not a matter of economic recession but rather one of endemic poverty and increased debt. Cases like Ruth's unveil a crude reality for some poor urban households in Peru faced with commercial, social and family pressures to spend on items that will work against the satisfaction of their valued and felt basic needs.

8.4 Discussion: Satisfiers in Nuevo Lugar

In Nuevo Lugar, satisfiers might not always be successful in contributing to basic needs. This has been brought up by a discussion on satisfiers drawing on Max-Neef's categorisation. Unlike Max-Neef suggested, the process of pinning down the types of satisfiers used in the community has not been fully participatory. People have not been directly addressing a specific list of satisfiers and discussed their efficiency. The three-step approach followed in this thesis has drawn on Clark's approach to valued functionings. It has identified people's 'wanted needs satisfiers' in an indirect way through concepts of the 'good life' and motives for consumption. It has focussed on what they buy, why and the sources of information they rely on. This has facilitated an exploratory association of local satisfiers with the Max-Neef typology. Further progress could be made by discussing the exploratory findings of this thesis with people in Nuevo Lugar.

Expenditure on water has come across as the only clear singular satisfier in the slum. It undoubtedly has a positive impact on people's health in terms of increased hygiene and even autonomy by releasing the burden of depending on neighbours or donors to get a minimum supply. However, all the other satisfiers explored might be at risk of becoming of the harmful sort. Two types of harmful satisfiers arise: The first concerns expenditure on food, health and electric appliances, which can behave as *singular*, *pseudo-satisfiers* or even *violators* depending on the type of good and service used. The second comprises housing and education that due to structural constraints are likely to remain *pseudo-satisfiers*.

Generally, people buying traditional Andean pulses together with vegetables and milk are contributing to short and long term physical health. When this is the case, *food* can even become a synergic satisfier, if it is used to enhance people's autonomy through getting or keeping a job and sharing it at social gatherings. However, financial constraints together with deficient information about nutrition and lack of availability of non-chemically treated food might be reducing the opportunities for most households to use food as a *singular* or *synergic satisfier*. Moreover, households with young children might be changing their consumption patterns to a more 'Westernised' style of food, substituting pulses and vegetables protein with pasta and convenience food. The availability of those products, the marketing campaigns of international food chains and the desire of parents to give some treats to their children might be influencing the turn of expenditure on food into *pseudo-satisfiers*.

Concerning *health care expenditure*, general discontent with public health practitioners is making old people with chronic illnesses turn to other private and more expensive alternatives. Moreover, vitamin supplements are expanding in the slum, with young households increasingly consuming them in aiming to avoid children's malnourishment. Both practices are impelled by door-to-door marketing strategies. Private surgeries attract customers from the public sector with the promise of a more personalised and technically advanced treatment; Mexican pharmaceutical companies employ local retailers to train them about the nutrition deficiencies of the Peruvian population and the need to compensate them with vitamin supplements. Health expenditure is usually contributing

to regain health (*singular satisfier*), but lack of sufficient and understandable information and completion of treatments prescribed by public health doctors make them most of the time a *pseudo-satisfier*.

Electric appliances might also swing from presenting singular to pseudo-satisfiers characteristics. Having a well-equipped kitchen (fridge, gas cooker, blender...) together with a new TV set, CD-DVD player and/or a flashy sound system increases the household's level of 'comforts' and status. Both things go together and it is usually difficult to disentangle the two. 'Comforts' are related to pleasure and facilitate housework, they also increase safety (gas cooker opposed to kerosene cooker) and reduce health risks (fridge). Those properties make household durables a *singular satisfier* that is usually incorporated under proper housing. However, the case of Ruth shows how the status attached to electric appliances together with the increasing availability of credit facilities might give durables the characteristics of *violators*. They have become a way for Ruth to treat the family and avoid rows between household members. She strives and risks her health to buy them, and the expensive hire purchase system makes it hard for her to spare enough money for the family's food. Ill health and family malnourishment is the price she has to pay to keep her family together.

Finally, *building materials and education* are two types of expenditure that are likely to perform as *pseudo-satisfiers* due to structural constraints. People's expenditure can hardly avoid the detrimental effects of deficient public policies. The physical environment of the slum that lacks of proper refuse disposal services, sewage and draining systems together with the insecurity associated to operating gangs and police corruption make housing expenditure insufficient to provide a good protective environment. Moreover, marginalisation and exclusion affect Nuevo Lugar's people even in the unlikely event that they get a relatively well-paid and recognised job. Most of them will end up working in the informal sector with badly paid jobs, lack of social security and of long term prospects. Public intervention providing sanitation and reliable police forces together with labour market reforms, might improve the chances that expenditure on housing and education perform as 'singular satisfiers'.

Chapter 5 found that most non-food expenditure in the corridor is motivated by satisfaction of basic needs. The preceding and the current chapter have shown, as expected, that in Nuevo Lugar most expenditure is also motivated by basic needs but that other motives are sometimes more relevant in deciding the final goods and services that will be finally consumed. Moreover, different institutions affecting people's consumption have also been brought out improving the understanding of how consumption works in Nuevo Lugar and how it impacts on people's wellbeing. The fact that most goods and services meant to satisfy 'wanted needs' have sometimes pseudo-satisfier characteristics might hamper people's progression in life. It could be detrimental for their wellbeing in two ways. First, by impeding needs satisfaction and second by creating a feeling of frustration that might lead to lower contentment.

8.5 Conclusions

Chapters 7 and 8 have presented an analysis of consumption in Nuevo Lugar based on a broad understanding of basic needs theories. It has followed a three-step approach in which societal priority requirements have been identified together with the goods and services people consume driven by their felt needs. This has led to the analysis of five categories of goods and services that correspond to more than 80% of the household budget. Those are primarily driven by 'wanted needs' satisfaction and provide valuable functionings to Nuevo Lugar's people.

The analysis has shown that most goods and services can present pseudo-satisfier characteristics. People might believe they are going to satisfy the need they aim to but in some cases they may not. Consuming convenience food and vitamin supplements, spending on private surgeries and buying electric appliances might contribute to basic needs but it might also leave them partially unsatisfied. Food and health care expenditure is increasingly being redirected to less nutritious and equally ineffective medical treatments. Electric appliances are status symbols in Nuevo Lugar. They seem a good instrument to treat family members and keep them united but they impinge a heavy levy on relatively poor households. Finally, education and housing are the expenditures more likely to perform as pseudo-satisfiers. It is improbable that more private spending will increase wellbeing unless the labour market is reformed and public expenditure is targeted at sanitation infrastructure as well as crime prevention, among other issues. Thus, higher expenditure on those categories might not improve basic needs levels but add to the traditional frustration of people in Nuevo Lugar.

9 Conclusions

9.1 Introduction

This thesis has investigated the linkages between consumption and human wellbeing with the aim of better understanding the underlying mechanisms at play. It has studied two key aspects mediating the relationship: people's motivations and the type of goods and services they consume. The empirical focus has been on poor Peruvian households belonging to the WeD corridor, which includes seven communities ranging from the rural Andes to a shanty town in Lima (Nuevo Lugar). Two research questions have been addressed relating to the objective and subjective dimensions of wellbeing. The first concerns how consumption affects people's happiness and the second relates to the effectiveness of specific goods and services in satisfying basic needs.

The thesis first presented how social science disciplines have approached consumption. Chapter 2 introduced the different aspects of consumption stressed by economists, anthropologists, sociologists, psychologists and other social scientists. Chapter 3 reviewed concepts and empirical research on the hedonic and eudaimonic approaches to wellbeing, focussing on the effects of consumption. It showed how those effects are of an unclear sign. Whilst richer people are usually happier, the significance of the relationship varies and in some cases relative measures are more important than absolute levels. It also highlighted how motives and goals for consumption matter and how distinguishing between the types of goods and services satisfying needs might clarify the relationship between consumption and wellbeing.

Drawing on the previous literature, this thesis has undertaken an empirical analysis of a trans-disciplinary nature using a multi-method strategy. It has approached human wellbeing from the subjective and objective angles and has included at different stages of the analysis the factors affecting consumption deemed relevant by social scientist. Thus social comparison as well as status seeking, basic needs, traditions and hedonism have been analysed as motives for consumption in the Peruvian corridor. Those aspects together with institutional constraints, the symbolic meaning of things and the effect of media and marketing have been tackled in the qualitative analysis focussed in Nuevo Lugar.

The study contributes to the social science literature on consumption and wellbeing at three different levels. The first is related to the population researched, as the thesis focuses on the effects of consumption on poor Peruvians' wellbeing. The second is conceptual since it connects different social sciences studying consumption through people's motivations and types of goods. The third is methodological concerning the multi-method strategy of the research and the confronted bottom-up approach.

9.2 Empirical findings: On the effect of consumption on people's wellbeing in the Peruvian corridor

The four empirical chapters of this thesis (Chapters 5 to 8) have explored consumption and its wellbeing outcomes for poor Peruvian households through expenditure, motives and satisfiers (refer to Figure 4.1 in Chapter 4). Chapters 5 and 6 undertook the analysis focussing on subjective wellbeing and drawing on information on expenditure and motives; Chapters 7 and 8 included the analysis of consumption processes in the study and focussed on basic needs and their satisfiers. All this in a country where previous research has found persistent levels of frustration due to factors such as economic inequality, labour market precariousness, gender and ethnic discrimination, political instability and corruption. Earlier studies had claimed that the demonstration effect and

status considerations were pulling down Peruvians' subjective wellbeing. They had also reported that Peruvians were increasingly spending on status symbols even for the most basic categories such as food stuffs and toiletries, which could be detrimental for the satisfaction of their basic needs.

9.2.1 Consumption and subjective wellbeing in the corridor: The role of motives

Chapters 5 and 6 focussed on motives for consumption and analysed their effect on people's happiness accounting for people's socio-demographic characteristics and total and relative expenditure. Before presenting the regression analysis in Chapter 6, Chapter 5 described people's motives, priorities and patterns of consumption. The study distinguished between rural, urban and peri-urban sites to account for, among other structural features, basic differences in terms of economic activity, traditions and access to 'modern' markets. There were two main findings:

1. Basic needs motivate most non-food expenditure but social comparison and status seeking are increasingly present

In the corridor, people explain their consumption as being mainly driven by basic needs; which in chapters 5 and 6 are linked to the intermediate and basic needs of the THN. Basic needs come across as the only motive for spending on health and hygiene and the most important one for spending on housing and transport. However, social integration, relatedness and status are also significant reasons with regard to categories such as education, clothes and furniture. Moreover, those who can afford electric appliances and furniture buy them because of the enjoyment or aesthetical pleasure they provide, and people who spend on traditional festivities and celebrations are largely driven by custom.

In the event of an income increase, participants would spend more on household durables and furniture than before but their priorities would still be focussed around housing, education and clothes. People would also undertake most of their expenditure driven by basic needs but identity building, social status and enjoyment would be increasingly powerful. Traditions would lose their relevance as consumption drivers, possibly indicating satiation and a turn towards modernity in the Andean communities.

2. Patterns of expenditure and consumption priorities diverge along the corridor

Chapter 5 showed how Engel's law applies to the corridor. Poorer rural and peri-urban communities present a higher percentage of expenditure on food and clothes (76%) than their urban counterparts (50%). As expected, urban communities have higher spending on housing (13%) and transport and communications (10%) than the rural sites of the corridor (1% and 2.3% respectively). It is also interesting to note that differences in consumption patterns match differences in consumption priorities along the corridor.

Chapter 6 analysed the effects of consumption on people's happiness in the Peruvian corridor through regression analysis. The descriptive study showed that urban participants, the materially poor and the ones highly driven by basic needs were significantly unhappier. The regression analysis confirmed those results and added more information to the linkages of consumption with subjective wellbeing. There were four key findings:

3. Absolute levels of consumption and basic needs are positively associated to people's happiness in the Peruvian corridor

As expected, participants who have a higher level of expenditure are significantly happier controlling for type of site, demographic characteristics, health and level of intermediate needs (INDI). This accords with previous research but goes beyond the assumption that

consumption matters to poor people only because it places them in a better position to satisfy their basic needs. Expenditure and the INDI are lowly correlated and both show to have a significant effect on happiness. This implies that higher consumption has broader consequences than lifting people above bare survival; it has a relational, cultural and self-realisation meaning that might be better approached through average and relative expenditure together with motivations.

4. The demonstration effect and status considerations affect people's happiness

Including average and relative consumption in the model increased the understanding about the effects of consumption on wellbeing. Both coefficients were significant, indicating that the *demonstration effect* and *status considerations* were affecting people's happiness in the corridor which matches previous research findings on SWB determinants in Peru. Hence, living in a relatively richer neighbourhood (in the corridor this means living in Nuevo Lugar or Progreso) is felt as putting pressure on people to have the goods and services that others are enjoying, resulting in reduced SWB. Conversely, spending more than the average in the community makes people happier and spending less unhappier. This confirms that even in poor societies comparing one's consumption with others matters and can make people happier or unhappier depending on their own relative position.

5. Motives for consumption add significant information to that captured through expenditure

Including the four motives for consumption in the empirical model increased the percentage explained of the variation in happiness levels. This shows that motives for consumption are contributing to understanding differences in people's happiness outside the effect of basic needs levels and expenditure. Hence, besides providing valuable information about people's consumption, motives contribute to explain its impact on their wellbeing.

6. Most consumption in the corridor is driven by dissatisfaction with one's level of basic needs or social integration, which affects negatively people's happiness

Being motivated by basic needs and social inclusion and progression is negatively related to happiness. Contrary to that, spending driven by experienced or expected future pleasure has a positive impact. The latter was the case for only 10% of participants and concerns the fact that people who contemplate hedonic feelings as acceptable and let them drive some of their consumption are on average happier. This also brings out the recurring causality issue, whether happier people let themselves be driven by hedonism or *vice versa*. It looks that the relationship might here, as in most cases, run both ways.

As suggested in previous literature, when consumption is used to compensate for psychosocial deficiencies it is likely that that results in lower wellbeing. This is the case for the variable 'socially related motives', since it mainly picks up the feelings of marginalisation and social exclusion that poor, rural, lowly educated indigenous Peruvians suffer. People in the corridor expect that through expenditure such as education, clothes and furniture they will be able to build an identity and reach a status recognised by peers, employers and political institutions. They hope that this will give them or their children the opportunity to escape poverty and marginalisation, which unveils current feelings of exclusion that have a negative effect on people's contentment.

Strikingly, consuming motivated by satisfying one's basic needs as in the THN is not positively linked to people's happiness either. In the corridor, participants who stressed the importance of basic needs as motives to spend on priority items where implicitly declaring that they perceived their level of basic needs to be low. However, basic needs

motives did not correlate with the INDI (intermediate needs deprivation index) and total expenditure. This indicated that people's perceptions were not necessarily associated to their objective levels of basic needs or consumption. Hence, the negative relationship between basic needs motives and happiness is likely to be due to the impact of sheer poverty—as spending on basic needs is felt as an imposition for survival—and to an hypothetical poor performance of the available goods and services as satisfiers.

9.2.2 Consumption and basic needs in Nuevo Lugar: The role of satisfiers

Chapters 7 and 8 undertook an in-depth study of basic needs driven consumption in Nuevo Lugar. Following a confronted bottom-up approach they explored people's visions of the 'good life' and the efficiency as *satisfiers* of the specific goods and services consumed. There were two main findings:

1. The concept of the 'good life' in Nuevo Lugar shares core characteristics with the THN basic and intermediate needs.

The three-step approach followed to analyse satisfiers in Nuevo Lugar involved a first step of bringing out people's valued basic societal and personal requirements. It supported the universality of the THN satisfier characteristics or intermediate needs as most of them were somehow mentioned as components of the 'good life'. Participants stressed the key role of family relations in promoting the two universal basic needs of the THN, physical health and autonomy. Gough (2003) has recently claimed that the THN should incorporate affiliation as a basic need. This research supports his proposition as participants repeatedly referred to the calm, tranquillity, emotional and economic stability that comes with family unity.

People's spending priorities such as housing, food, healthcare and education were mainly motivated by felt basic needs which in Nuevo Lugar were closely related to physical health, autonomy and affiliation. This resulted in the identification of 'wanted needs' which are felt needs or wants that are also valued as societal requirements. The satisfiers used to meet them are the specific goods and services people buy to suit their need for shelter, food and water, health care and education.

2. In Nuevo Lugar 'Wanted needs satisfiers' might not be efficient due to public, market and cultural constraints

Chapter 8 presented people's accounts on how they go about consuming goods and services related to housing, food, health care, education and electric appliances. The analysis found that in Nuevo Lugar most satisfiers might only be partially efficient. People might believe they are going to satisfy the needs they aim for but in many cases they will not. Eating convenience food, going to private surgeries, taking vitamin supplements and purchasing electric appliances might contribute to basic needs satisfaction but it might also leave them partially unsatisfied.

Food and health care expenditure is increasingly being used to buy less nutritious food and more expensive but equally effective medical treatments. The case of Ruth showed that using electric appliances to please family members and avoid quarrels between them might be only successful in the short run. In the long term more status symbols will be needed to please the family. Moreover, Ruth has traded off family unity with food and her own already precarious health, which might result in family malnourishment and illnesses. Hence, future increases of expenditure on food, health care and electric appliances might not contribute to basic needs satisfaction but add to the frustration of those who are malnourished, sick and lacking affection.

In Nuevo Lugar, expenditure on housing and education showed a different reality. Participants' discussions, RANQ data and secondary information pointed at the fact that without efficient public intervention, expenditure on housing materials, sanitation facilities and schooling might never satisfy the need for the shelter and social inclusion that people crave for. People build their house little by little; it is usually a life time task. They spend on building more rooms, better insulation, more protection, improved sanitary facilities, etc. However, the lack of an efficient refuse disposal service, sewerage, uncorrupted police officers and paved roads makes the slum an unhealthy and dangerous area where illnesses are easily spread and gangs are at work. A better house cannot easily protect from that. Likewise, expenditure on education does not usually contribute to people's economic security and autonomy of agency. Even those in the slum, who have higher education hold unstable and precarious jobs or are unemployed. Moreover, in a highly stratified and discriminating society it is unlikely that slum dwellers get the social recognition they need to participate on equal terms with their wealthier, whiter and urban counterparts.

In summary, the approach to consumption presented in this thesis has shown that in the Peruvian corridor and Nuevo Lugar consumption has different and sometimes opposing effects on wellbeing. It does not add to participants' happiness unless it contributes to their level of basic needs, they can consume more than their neighbours or they buy things driven by hedonism. Moreover, what they buy motivated by basic needs and social exclusion may manifest in greater distress since these motives reflect people's perceived low achievement in terms of basic needs and their generally low social status. Basic needs and socially related motives are the most important drivers of consumption in Nuevo Lugar; their intertwining together with institutional constraints results in people accessing goods and services that are not always efficient satisfiers. People's frustration in not having efficient satisfiers may then impact on their contentment, which could help explain why basic needs driven consumption does not add to happiness in the corridor.

9.3 Conceptual contributions: On consumption and wellbeing

Chapters 2 and 3 reviewed the social science literature on consumption and presented the most relevant findings regarding the linkages between consumption and wellbeing. This thesis integrates that knowledge and adds two basic claims to it. The first concerns the multidimensionality of wellbeing and the importance of incorporating local understandings of what constitutes a 'good life', which is one of the main contributions of the WeD Group at the University of Bath. The second posits that motives and satisfiers as useful analytical tools to enhance our understanding of the mechanisms through which consumption impacts on wellbeing.

1. Human wellbeing has two interlinked dimensions that cannot be accurately captured unless people's understandings are incorporated

This thesis has investigated the effects of consumption on subjective and objective wellbeing separately. However, it understands that the two aspects are interlinked and has begun to explore the relationship. First, the study of happiness determinants included the intermediate needs deprivation index as an independent variable. The regression analysis showed that higher basic needs levels go with higher happiness. It should be noted again that this implies taking basic needs as a cause of happiness when causation might well go in the opposite direction.

Second, the exploration of people's visions of the 'good life' brought out people's own take on the role of happiness. In Nuevo Lugar people would not spontaneously mention happiness or feelings of joy as a component of the 'good life'. Once prompted participants

agreed that it is an important element but some of them had reservations regarding its role as an ultimate objective. Some participants stressed the fact that happiness is a result of having achieved meaningful functionings, of having education or a job and most of them linked it to a close united family. More work on the role of hedonic feelings in specific contexts is required in order to avoid assuming that happiness is the ultimate societal objective. Doing otherwise, as most studies on subjective wellbeing do, might simply be imposing Western values onto non-Western societies.

2. Motives and satisfiers connect the person with the economic, social and cultural environment

A wellbeing approach to consumption requires theories that include its economic, cultural, social and psychological aspects. Highly simplified approaches such as the one offered by neoclassical economics can hardly be used to analyse the reality of everyday consumption. Other social sciences have shown that people consume in quite a different fashion from the one exemplified by rational individuals maximising happiness given preferences, prices and budget. However, the difficulties associated with a synthesis of human behaviour make it difficult to build a holistic theory that takes into account all the factors at stake. This thesis has underlined some potential linkages between theoretical approaches through motives and the concept of satisfiers.

First, the empirical chapters of the thesis take the person and not only the expenditure as an analytical starting point and stress the multidimensionality of the consumption activity. This implies that the latter is undertaken under different institutional settings, psychological states and persuasion agents but it also implies that those dimensions perform at different intensities for different persons at different moments in time. Thus spending on the organisation of a festivity would feel compulsory for a young rural participant. His search for acceptance as a full member of the community together with family pressure will impel him to spend on musicians, food and drink. However, the same expenditure will be done by a returning migrant eager to show how his social status has changed and how much he can afford to spend on celebrations. The mechanisms at stake for people may be different and unless they are understood the meaning of consumption will not be comprehended.

Accounting for motives incorporates the elements that different social sciences have stressed as key to understanding consumption. Thus, motives capture anthropologists' focus on meaning and sociologists' stress on the struggle for status. They also allow for integrating basic needs and people's inherent search for pleasure. Investigating motives in an open-ended manner also shows how people distribute weight between those motives, how they juggle their felt basic needs with their identity; their cultural obligations; their intrinsic craving for enjoyment and their coveted position in the society. Motives complement the analysis of consumption based on total expenditure or income by adding a psychosocial dimension.

Second, this thesis uses the concept of satisfiers. It tackles the specific goods and services people use and analyses their separate effects on wellbeing. This approach diverges from the economists' assumptions of rationality, consumer sovereignty and exogenous preferences and links to broader views of individuals interrelating with their environment. The analysis of satisfiers draws on Max-Neef's which triggers discussion on the effectiveness of specific expenditure in meeting people's felt and valued needs, and also brings out the institutional constraints that impede specific goods and services from becoming synergic or singular satisfiers.

Focussing on specific satisfiers implies tackling the access people have to goods and services. It takes into consideration whether access is determined by marketing strategies, technical constraints or cultural specificities. It also helps pin down how adaptation processes work. For instance, by analysing the type of staples people buy one can see how the process of adapting to an urban area works: how families with young children progressively adapt to urban food, exchanging Andean pulses for Western types of pasta. It also highlights the fact that parents shift to Western food as a treat for their children, to compensate them for their material poverty. Moreover, the fact that local restaurants focus on this type of food, makes it appear more fashionable to children who pester parents for them.

Thus, studying consumption through motivations and satisfiers adds to the traditional approach based on total expenditure and aggregate patterns of consumption. This thesis argues that capturing motives for consumption enables a deeper understanding of how consumption impacts on people's wellbeing. It also argues that the study of satisfiers contributes to understand the wellbeing effects of consumption and might even explain why frustration goes often hand-in-hand with it.

9.4 Methodological contributions: Understanding consumption through multi-methods research

This thesis has undertaken an analysis of consumption and wellbeing using a mixed-methods approach to tackle the two main research questions. Chapter 4 has discussed in some depth the different ontologies and epistemologies generally associated with quantitative and qualitative methods. This has led to a pragmatic strategy linked to critical realism, recognising that different realities exist but there are underlying structures that determine people's behaviour and views. The strategy has been implemented through what this thesis calls a *confronted bottom-up approach*, where universal theories are confronted with people's accounts. The two empirical parts of the thesis are an example of mixed methods and a theoretically informed analysis of people's views.

9.4.1 The confronted bottom-up approach to motives for consumption

The first general research question concerns the effect of consumption on subjective wellbeing. The analysis has been undertaken using descriptive and regression analysis following the economics of happiness tradition which assumes people's feelings of contentment are measurable and comparable. First, consumption has been captured through total expenditure, relative expenditure and average expenditure. Thus, general considerations on budget constraints and relative income have been included in the research. Second a psycho-social dimension of consumption has been incorporated through four variables identifying motives for consumption.

A *confronted bottom-up approach* implies first understanding motives and how people construct them in the specific communities of the corridor. To generate the motive variables using this approach, answers are coded by assigning people's reported motives to four broad categories (THN basic needs, socially related motives, hedonism and customs); as well as being relevant for the population concerned, these were considered as salient features of consumption by the social science literature reviewed in Chapters 2 and 3. Other WeD instruments have provided additional information about the Peruvian communities and the participants, which has contributed to reducing the potential subjectivity of the process.

After coding people's motives they were transformed into factors that were later introduced in the regression analysis. The method adopted to generate the variables accounted for the weight attached to each motive. Thus, reasons for consumption were brought up by participants, in their own words, and ranked using their own valuations. This meant that the regression analysis in Chapter 6 linking consumption to subjective wellbeing through expenditure and motives accounted for qualitative aspects arising from people's own reports. Although creating quantitative variables from open-ended questions poses methodological challenges with regard to coding and transforming codes into numerical factors, it has proved to be more faithful to participants' realities than studies based on 'top-down' defined variables. Moreover, relating participants' reports to theoretical meaningful categories has made it possible to discuss the empirical findings within the broader debate on the effects of consumption.

9.4.2 The three-step approach to the analysis of satisfiers

The second methodological innovation concerns the efficiency of specific satisfiers in contributing to basic needs in Nuevo Lugar. This is mainly investigated drawing from qualitative data collected through in-depth interviews and focus groups. People's accounts are supplemented with descriptive statistics from the WeD Resources and Needs Questionnaire concerning Nuevo Lugar and the participant households. Secondary data from alternative sources also informs some of the analysis of specific satisfiers. This results in a qualitative analysis of people's narratives complemented by descriptive statistics providing background information.

The qualitative approach of Chapters 7 and 8 makes it possible to identify consumption, satisfiers, motives and sources of information in a broader sense than the study of SWB determinants. Consumption is not limited to expenditure, it includes the use of durables, accounts for intra-household dynamics and incorporates issues of indebtedness and gift-giving. Motives are not single determinants of action; in-depth interviews and focus groups allow for capturing the wide array of reasons why people consume specific goods and services. Sources of information help capture the impact of institutions that is not revealed through people's reports on motives. This enhances understanding of the different intensity of structural constraints on people's consumption. It clarifies the circumstances under which door-to-door vendors, TV adverts, peer-pressure, cultural traits, etc. have a major effect.

In order to analyse the efficiency of satisfiers, this thesis has faced conceptual and methodological challenges. Theories of need have usually taken satisfiers as culturally relative, and despite Max-Neef's categorisation and Doyal and Gough's identification of their core characteristics, empirical analyses have rarely discussed people's take on what constitute basic needs and what satisfies them. Since the aim of this thesis was to understand the influence of consumption on people's wellbeing, theoretical approaches had to be confronted with participants' reports in order to define satisfiers and the basic needs they were aiming at. Only understanding this would justify an assessment of satisfiers from a basic needs perspective. The three-step approach presented in Chapter 7 (refer to Figure 4.2) has allowed me to:

- Identify participants' views on the basic requirements for a 'good life'. The extent to which their accounts can be taken as basic needs relies on confronting those with the intermediate needs or universal satisfier characteristics of the THN.
- Define the space for analysing satisfiers by crossing people's visions of the 'good life' with their felt needs; the ones that drive their consumption. This has resulted in the characterization of 'wanted needs satisfiers' in Nuevo Lugar.

- Use the THN characterisation of intermediate needs and Max-Neef's classification to discuss the contribution of satisfiers to people's felt and valued needs.

Finally, although in this thesis the quantitative and qualitative approaches have a similar weight, they are heavily dependent on reaching an understanding of the society and culture where the research takes place. This implies an initial reliance on techniques of data collection and analysis that give pre-eminence to understanding over generalisation. Consumption is a very local process with global determinants and implications. It follows that an analysis of its characteristics and effects needs a broad perspective on methodologies and approaches. This thesis has faced the challenge through a multi-methods 'confronted bottom-up' strategy which has proven useful in clarifying the consumption-wellbeing conundrum.

9.5. Limitations and further research

The research has opened a Pandora's box where the factors affecting the relationship between consumption and wellbeing were laying dormant. By doing so, it has clarified some linkages but it has also raised some further issues for exploration. The first is related to the research on motives and its methodological and conceptual implications; the second concerns the exploratory character of the study of satisfiers.

As repeatedly mentioned, an open-ended question on reasons for consumption might have been capturing goals as well as motives. Although psychologists clearly argue against confusing the two terms, this research has not stressed the distinction. The open approach to motives has made it possible to capture what people have in mind when they carry out their purchases. This has added to the analysis a psycho-social dimension of consumption that complements the information given by economic measures such as expenditure or income. Nevertheless, capturing motives through an open-ended question should ideally be a first exploratory phase. A second confirmatory phase, using the information from the I&E questions on motives to design items representing people's motivations would be advisable. Lack of resources and time constraints impeded undertaking this task before completion of this thesis but the work done so far illustrates the importance of motives and paves the way for further research on consumption and subjective wellbeing.

Regarding satisfiers, the qualitative research strategy followed in this thesis focussed on two things. First, presenting and implementing the three-step approach to analyse basic needs satisfiers and second offering an initial assessment of their efficiency in Nuevo Lugar. This broad strategy has necessarily been unable to undertake an in-depth study of people's views on their basic needs and the processes surrounding specific satisfiers. Approaching people's views of the 'good life' through open-ended questions has proven useful but it would be interesting to confront those results with a predefined list. This could draw on the findings of this thesis, other WeD-Peru work and additional qualitative research. It should be of a more participatory nature, including discussions around the local definition of needs, basic prerequisites for social participation and wants. The resulting list would inform a closed-ended questionnaire that could be applied to a representative sample in the slum together with the open-ended question about the 'good life'. This would give a more thorough description of people's views on basic needs and wants.

Furthermore, the research on satisfiers could be refined further. Again participatory methods would be useful to discuss the efficiency of satisfiers and to confront the normative assessments of this research with people's views and feelings. Knowing that

spending on private health care is not going to make much difference to one's health compared to public alternatives might not be relevant if people value more the feeling of being understood and emotionally supported by private doctors. This links back to the importance given in this thesis to people's understandings; without accounting for them the impact of consumption on wellbeing cannot be fully captured.

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Appendix

Part one: The Income and Expenditure Survey

A. 4.1. The WeD Income and Expenditure survey, expenditures and subjective wellbeing.

PART III: EXPENDITURES

SECTION 3.1: FOOD EXPENDITURE

1. We would like to ask you about all the food that was bought for consumption or was consumed from your own stock, in the LAST WEEK.

1. Food Product	2. In the last week, did your household consume any [product]? Tick the appropriate Boxes	3. What was the main source of the [product] eaten? 1. Cash purchase 2. Household production 3. Gift, wage in kind, aid.	4. How much was spent? In local currency	5 .What is the value of the food consumed from your own harvest or your own stock? In local currency	6. What is the value of the food received as a GIFT, a LOAN, as WAGE IN KIND or as BARTER? In local currency
Barley	<input type="checkbox"/> 1				
Wheat	<input type="checkbox"/> 2				
Maize	<input type="checkbox"/> 3				
Potato	<input type="checkbox"/> 4				
Rice	<input type="checkbox"/> 5				
Beans	<input type="checkbox"/> 6				
Milk/yogurt	<input type="checkbox"/> 7				
Beef	<input type="checkbox"/> 8				
Chicken	<input type="checkbox"/> 9				
Other meat	<input type="checkbox"/> 10				

Eggs	<input type="checkbox"/> 11				
Butter/cheese	<input type="checkbox"/> 12				
Soft drinks	<input type="checkbox"/> 13				
Coffee	<input type="checkbox"/> 14				
Sugar/honey	<input type="checkbox"/> 15				
Salt and spices	<input type="checkbox"/> 16				
Cooking oil	<input type="checkbox"/> 17				
Bread	<input type="checkbox"/> 18				
Fruit	<input type="checkbox"/> 19				
Vegetables	<input type="checkbox"/> 20				
Dining out	<input type="checkbox"/> 21				
School breakfast	<input type="checkbox"/> 22				
School lunch/dinner	<input type="checkbox"/> 23				
Noodles/flour	<input type="checkbox"/> 24				
Habas	<input type="checkbox"/> 25				

2-. Concerning your family's food consumption during the last month, which of the following is true:

(tick only one box)

	adequate	Just adequate	More than adequate
2.1 Household head	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
2.2 Spouse of the household head	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
2.3 Other (specify ID)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3

SECTION 3.2 : NON-FOOD EXPENDITURE

1. Has the household purchased any of the following non-food items in the LAST FOUR MONTHS? How much was spent by the household on..?

1. Item	2. Tick the appropriate Boxes	3. Total expenditure in local currency
School/tuition fees, textbooks, uniforms and others	<input type="checkbox"/> 1	
Ceremonial expenses (weddings, funerals, festivities, etc)	<input type="checkbox"/> 2	
Taxes and levies	<input type="checkbox"/> 3	
Kitchen equipment	<input type="checkbox"/> 4	
Building materials	<input type="checkbox"/> 5	
Furniture	<input type="checkbox"/> 6	
Household durables (radio, cassette, CD player, TV and others)	<input type="checkbox"/> 7	
Donations/gifts	<input type="checkbox"/> 8	
Clothes/shoes	<input type="checkbox"/> 9	
Crockery	<input type="checkbox"/> 10	
Lines (sheets, towels, blankets)	<input type="checkbox"/> 11	
Lamp/torch	<input type="checkbox"/> 12	

2 Concerning your expenses on weddings, funerals and festivities in the last four months, are you satisfied with the level of expenditure?:

(tick only one box). Please, answer this question ONLY IF information on ceremonial expenses has been provided from previous table 1.

	satisfied	Just satisfied	More than satisfied
2.1 Household head	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
2.2 Spouse of the household head	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
2.3 Other (specify ID.....)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3

1. Has the household purchased any of the following non-food items in the LAST MONTH (THE PAST 30 DAYS PRECEDING THE INTERVIEW)?

How much was spent by the household on..?

1. Item	2. Tick the appropriate Boxes	3. Total expenditure in local currency
Detergents/soaps/cosmetics	<input type="checkbox"/> 1	
Transport	<input type="checkbox"/> 2	
Coca leaves	<input type="checkbox"/> 3	
Newspapers	<input type="checkbox"/> 4	
Cigarrets	<input type="checkbox"/> 5	
Alcohol	<input type="checkbox"/> 6	
Bills (water, electricity, etc)	<input type="checkbox"/> 7	
Modern medical treatment and medicines	<input type="checkbox"/> 8	
Traditional medicine and healers	<input type="checkbox"/> 9	
Transfers to other households/remittances and gifts to others	<input type="checkbox"/> 10	
Recreation and leisure	<input type="checkbox"/> 11	
Mobile phone/landline phone	<input type="checkbox"/> 12	
Rent	<input type="checkbox"/> 13	

4. Concerning your family's non-food consumption the last four months, which of the following is true:

(tick only one box)

	adequate	Just adequate	More than adequate
2.1 Household head	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
2.2 Spouse of the household head	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
2.3 Other (specify ID.....)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3

5. What are the five most important non-food items or expenses (electricity bills, school fees, kerosene) purchased by the household? Why?

Household head

Rank	Item	Reasons

Spouse Household Head

Rank	Item	Reasons

5.1. Which of these items is the most important (mark with a 1)

Which item comes second? (mark with a 2)

Which item comes third? (mark with a 3)

Which item comes fourth? (mark with a 4)

6. Imagine that you experience a substantial (twice as much) and PERMANENT increase in income, which five non-food items or expenses (electricity bills, school fees, kerosene) would you spend this additional money on? Why?

Household head

Rank	Item	Reasons

Spouse Household Head

Rank	Item	Reasons

6.1. Which of these items is the most important (mark with a 1)

Which item comes second? (mark with a 2)

Which item comes third? (mark with a 3)

Which item comes fourth? (mark with a 4)

PART VI: GLOBAL HAPPINESS

1. Taking all things together, how would you say things are these days? Would you say you are:

Tick only one box.

Both the household head and his/her spouse will answer this section

Household Head:

Very happy ☐1

Fairly happy ☐2

Not too happy ☐3

Spouse of household head/ other member specify ID

Very happy ☐1

Fairly happy ☐2

Not too happy ☐3

PART VII: NEED DOMAIN SATISFACTION

Both the household head and his/her spouse will answer this section

1. The household head will answer this section. Select only one option for each need domain satisfaction component.

1. Options	2. Concerning your children's education which of the following is true? The education they get is	3. Concerning the health care your family gets which of the following is true? The health care your family get is	4. Concerning your family's housing which of the following is true? The family's house is	5. Concerning your family's clothing which of the following is true? The family clothing is	6. Concerning your family's total income over the past month which of the following is true? The total family income was
Not adequate....1 Just adequate....2 More than adequate.....3					

2. The spouse of household head, if other specify ID...., will answer this section. Select the relevant option for each life domain satisfaction component.

1. Options	2. Concerning your children's education which of the following is true? The education they get is	3. Concerning the health care your family gets which of the following is true? The health care your family get is	4. Concerning your family's housing which of the following is true? The family's house is	5. Concerning your family's clothing which of the following is true? The family clothing is	6. Concerning your family's total income over the past month which of the following is true? The total family income was
Not adequate....1 Just adequate....2 More than adequate.....3					

ONLY FOR HOUSEHOLDS IN THE SHANTY TOWN OF LIMA

During August a student from Spain will visit the community in order to interview households about consumption issues. Do you agree to participate in her research?

- Yes ☐1
No ☐2
I do not know ☐3

Part two: Interview guides

A. 4.2. In-depth interviews topic guide¹⁵⁸

HOUSEKEY: _____
IDCODE: _____
Recorder number: _____

Consumption and wellbeing in Nuevo Lugar: priorities, motives and sources of information

- **Introduction to the research**

To explore what households consume and why

General issues about consumption

Academic research – the information will only be used for the PhD thesis of the researcher.

WeD fieldworker is introducing the families to the researcher and helping with the data collection.

Consent and confidentiality – consent to record the interview. Recording for practical reasons, either the WeD fieldworker or the researcher take notes. The analysis will not use the real names of respondents.

- **Household characteristics**

Household members (number) _____

Marital status _____

Date of settlement in Nuevo Lugar _____

- **Personal characteristics**

Type of job _____

Education _____

Religion _____

Age _____

Gender _____

¹⁵⁸ This is a translation of the original topic guide in Spanish.

- **Priorities of consumption and motives**

What are the five most important items or expenses (electricity bills, school fees, kerosene) purchased by the household?
Why?

RANK	ITEM	REASONS

Which of these items is the most important (mark with a 1)

Which item comes second? (mark with a 2)

Which item comes third? (mark with a 3)

Which item comes fourth? (mark with a 4)

Imagine that you experience a substantial (twice as much) and PERMANENT increase in income, which five items or expenses (electricity bills, school fees, kerosene) would you spend this additional money on? Why?

RANK	ITEM	REASONS

Which of these items is the most important (mark with a 1)

Which item comes second? (mark with a 2)

Which item comes third? (mark with a 3)

Which item comes fourth? (mark with a 4)

- **Discussion**

Now I will pose some questions about your declared priorities of consumption (write a tick on the categories we will talk about)

Food	Clothes	Transport	Furniture	Leisure
Health	Gifts	Building materials	Electric appliances	Detergents/soaps/cosmetics/
Beer, cigarettes, spirits	Education			

For each category of expenditures

- Frequency of purchase
- Comparisons between community of origin, neighbours
- Place where things are usually bought (shop, markets, street vendors) and why
- Satisfaction with the purchases, the shops or markets (issues of availability of products)
- Appraisal of the importance of the goods purchased
- Discuss on external influences (extent to which the following are important in their consumption decisions) :
 - magazines
 - religion
 - television
 - friends' advice
 - custom and tradition
 - adverts
 - children's school, one's own education
 - government campaigns
 - recommendations by pharmacists, doctors, health workers

- **The ‘good life’ and happiness**

What are the things (material or not) that you consider to be important in order to have a good life

Do you consider that being happy is important in order to have a good life?

Do you think you would be happier if you could consume more things?

What would you buy? Why?

- **Income bands**

What is the monthly income of your household?

0-20 soles	21-50 soles	51-100 soles
101-200 soles	201-350 soles	351-450 soles
More than 450 soles		

A.4.3. Focus groups topic guide¹⁵⁹

• **Presentation**

Research on consumption patterns, motivations and sources of information in Nuevo Lugar

The objectives of the meeting are to talk about:

- What you consume (buy)
- Why you consume it
- How do you get information about the products and services you consume

• **Group dynamics**

You can intervene at any time and any point of the conversation but it is advised to wait until the other participant finishes his/her argument. Feel free to engage into conversation and extend on particular issues of your interest.

Maribel (the fieldworker) and myself (the researcher) will be here to lead the group, organise the interventions and clarify any doubt you might have.

Please fill in the form that we have distributed to each of you, this is personal information for my records¹⁶⁰. When I analyse the data and present the conclusions of this research I will not disclose your real names but I will refer to your personal characteristics.

I will be very grateful if you grant me permission to record the conversation for practical reasons. Then, Maribel and I do not have to try to write down everything it is said.

• **Questions**

- 1. First, I would like to know what are the things that you usually spent your money on, personal things (cosmetics, clothes, hairdresser, soft drinks...) as well as things for the household (food, education, electric appliances, et.)**

(Hang a blank cardboard A3 on the wall and write down a list of the categories of expenditures mentioned by participants)

¹⁵⁹ This is a translation of the original topic guide in Spanish.

¹⁶⁰ The form collected: forename, age, number of children, number of household members, level of education and the number of years participants had been living in Nuevo Lugar.

2. I will now hand out eight cards. One of the sides (blue ink) show some reasons for consumption, could you please choose the ones that are more related to each of the consumption categories you have mentioned?

MOTIVES
To compensate for what I lacked in my childhood
To satisfy my basic needs
To satisfy my children's basic needs
To enjoy, have good experiences
To properly relate with relatives, neighbours and/or friends
Custom, tradition
To be someone, to be respected
To improve my social status

(Go through each of the categories of consumption mentioned and write on the board the motives associated with them by participants, so all can see and discuss)

- Can you expand on your motive?
- Do you all agree?
- Does anyone think that he/she spends on this (the particular category) for a reason not shown in the cards?

3. If you flip the cards over you will see (red ink) some sources of information that people draw on. Could you please choose the more relevant for your consumption decisions?

(Go through each of the categories of consumption mentioned and write on the board beside each of them the sources of information mentioned)

- Why is this source of information the most important?
- Do you all agree?
- Is there any other source of information you use that is not collected in the cards?

SOURCES OF INFORMATION
Children, husband
Other relatives
Local shops and/or markets
Friends, neighbours, community
TV, radio, press
Street vendors
Children's school, parents' school, health practitioners
Religion

Finally, I would be very grateful if you could all agree on the most important categories among the ones you have mentioned and order them from the most to the least important (at least collect the 5 most important ones and their ranking)

Part three: Data and statistics

Table A.5.1: Differences of priorities by household member

	Current priorities		Difference HH v SP	Potential priorities		Difference HH v SP
Other expenditure	1.51	1.49		1.45	1.55	**

Significance in the difference of the means between Current and potential priorities (Friedman test): * at the 10% level, ** at the 5% level,***at the 1% level

Total sample 199

Table A.5.2: Differences of motives by household member

	Current motives		Difference	Potential motives		Difference HH v SP
Custom	1.49	1.51		1.49	1.51	**

Significance in the difference of the means between motives by gender by question (Friedman test- paired samples):

** at the 5% level (relatedness, conspicuous and identity integrate socially related motives)

Total sample 199

Table A.5.3: Current non-food expenditure priorities differences by site type

	Mean Rank			Difference by site type
Other expenditure	226	228	212	

Significance in the difference by site type (Kruskall-Wallis test): * at the 10% level, ** at the 5%, ***at the 1% level

Total sample 449 (204 urban, 178 peri-urban, 67 rural)

Table A.5.4: Socio-demographic characteristics: Households in the corridor

[illegible]

Source: RANQ-Peru (2004), WeD Research Group, University of Bath, UK.

Table A.6.1: Type of activities in the corridor

	Frequency	Percentage total sample
Total	429	100

Source: WeD- Peru RANQ

Table A.6.2: Regression analysis (OLS). Basic needs deprivation index and consumption

Independent variables	Coefficient	t	Prob.>t
R- squared	0.053		

Source: WeD-Peru I&E data first round

Table A.6.3: Correlation matrix. Regression dependent variables. (Pearson correlation)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
TYPE OF SITE (URBAN=1, PERI- URBAN=2,RURAL =3)	.139(**)	-0.014	-.146(**)	-0.02	0.005	-.316(**)	-0.027	.141(**)	-0.116(*)	.218(**)	-.102(*)	-.677(**)	0.011	-.195(**)	-.114(*)	-.181(**)	0.031	1

* Correlation is significant at the 0.05 level (2-tailed), ** correlation is significant at the 0.01 level (2-tailed) Source: WeD-Peru I&E first round

Table A.6.4: WHO Adult equivalence scale

Adult equivalence scale		
-		
-		
-		
-		
-		
-		
60+	0.84	0.74

Source: WHO in McCulloch and Baulch (2000: 129)

Table A.6.5: Components of the INDI from RANQ

[illegible]

Source: Velazco and Copestake (2006)

¹⁶¹ Figures show the percentage of “yes” responses for 764 households of the original 1,004 for whom a full set of responses to both needs and resources questions were available.

Table A.6.6: Personal expenditure and site type

Quintile of Personal Expenditure	Urban	Peri-urban	Rural	Total Sample
Total	100	100	100	100

Source: WeD- Peru I&E first round

Table A.6.7: Personal expenditure and basic needs deprivation index

Quintile of Personal Expenditure	Intermediate needs deprivation index (mean)	Std. Error
5 (higher)	2.81	0.157

Source: WeD- Peru I&E first round

Table A.6.8: Personal expenditure and motives for consumption

Quintile of Personal Expenditure	Basic needs	Hedonic	Social	Custom
5 (higher)	7.86	0.69	2.43	0.77

Source: WeD- Peru I&E first round

Table A.6.9: Determinants of happiness (motives as dummy variables)

[illegible]

Source: WeD-Peru I&E data first round

* Significant at 10%

** Significant at 5%

***Significant at 1%

Table A.6.10: Determinants of satisfaction with income and non-food expenditure

	Dependent variable			
	No. of children in household		No. of children in household	
	0	1	0	1
Constant	-	-	-	-
Age				
Age squared				
Age cubed				
Age squared times age cubed				
Age squared times age cubed squared				
Age squared times age cubed cubed				
Age squared times age cubed to the fourth power				
Age squared times age cubed to the fifth power				
Age squared times age cubed to the sixth power				
Age squared times age cubed to the seventh power				
Age squared times age cubed to the eighth power				
Age squared times age cubed to the ninth power				
Age squared times age cubed to the tenth power				
Age squared times age cubed to the eleventh power				
Age squared times age cubed to the twelfth power				
Age squared times age cubed to the thirteenth power				
Age squared times age cubed to the fourteenth power				
Age squared times age cubed to the fifteenth power				
Age squared times age cubed to the sixteenth power				
Age squared times age cubed to the seventeenth power				
Age squared times age cubed to the eighteenth power				
Age squared times age cubed to the nineteenth power				
Age squared times age cubed to the twentieth power				
Age squared times age cubed to the twenty-first power				
Age squared times age cubed to the twenty-second power				
Age squared times age cubed to the twenty-third power				
Age squared times age cubed to the twenty-fourth power				
Age squared times age cubed to the twenty-fifth power				
Age squared times age cubed to the twenty-sixth power				
Age squared times age cubed to the twenty-seventh power				
Age squared times age cubed to the twenty-eighth power				
Age squared times age cubed to the twenty-ninth power				
Age squared times age cubed to the thirtieth power				
Age squared times age cubed to the thirty-first power				
Age squared times age cubed to the thirty-second power				
Age squared times age cubed to the thirty-third power				
Age squared times age cubed to the thirty-fourth power				
Age squared times age cubed to the thirty-fifth power				
Age squared times age cubed to the thirty-sixth power				
Age squared times age cubed to the thirty-seventh power				
Age squared times age cubed to the thirty-eighth power				
Age squared times age cubed to the thirty-ninth power				
Age squared times age cubed to the fortieth power				
Age squared times age cubed to the forty-first power				
Age squared times age cubed to the forty-second power				
Age squared times age cubed to the forty-third power				
Age squared times age cubed to the forty-fourth power				
Age squared times age cubed to the forty-fifth power				
Age squared times age cubed to the forty-sixth power				
Age squared times age cubed to the forty-seventh power				
Age squared times age cubed to the forty-eighth power				
Age squared times age cubed to the forty-ninth power				
Age squared times age cubed to the fiftieth power				
Age squared times age cubed to the fifty-first power				
Age squared times age cubed to the fifty-second power				
Age squared times age cubed to the fifty-third power				
Age squared times age cubed to the fifty-fourth power				
Age squared times age cubed to the fifty-fifth power				
Age squared times age cubed to the fifty-sixth power				
Age squared times age cubed to the fifty-seventh power				
Age squared times age cubed to the fifty-eighth power				
Age squared times age cubed to the fifty-ninth power				
Age squared times age cubed to the sixtieth power				
Age squared times age cubed to the sixty-first power				
Age squared times age cubed to the sixty-second power				
Age squared times age cubed to the sixty-third power				
Age squared times age cubed to the sixty-fourth power				
Age squared times age cubed to the sixty-fifth power				
Age squared times age cubed to the sixty-sixth power				
Age squared times age cubed to the sixty-seventh power				
Age squared times age cubed to the sixty-eighth power				
Age squared times age cubed to the sixty-ninth power				
Age squared times age cubed to the seventieth power				
Age squared times age cubed to the seventy-first power				
Age squared times age cubed to the seventy-second power				
Age squared times age cubed to the seventy-third power				
Age squared times age cubed to the seventy-fourth power				
Age squared times age cubed to the seventy-fifth power				
Age squared times age cubed to the seventy-sixth power				
Age squared times age cubed to the seventy-seventh power				
Age squared times age cubed to the seventy-eighth power				
Age squared times age cubed to the seventy-ninth power				
Age squared times age cubed to the eightieth power				
Age squared times age cubed to the eighty-first power				
Age squared times age cubed to the eighty-second power				
Age squared times age cubed to the eighty-third power				
Age squared times age cubed to the eighty-fourth power				
Age squared times age cubed to the eighty-fifth power				
Age squared times age cubed to the eighty-sixth power				
Age squared times age cubed to the eighty-seventh power				
Age squared times age cubed to the eighty-eighth power				
Age squared times age cubed to the eighty-ninth power				
Age squared times age cubed to the ninetieth power				
Age squared times age cubed to the ninety-first power				
Age squared times age cubed to the ninety-second power				
Age squared times age cubed to the ninety-third power				
Age squared times age cubed to the ninety-fourth power				
Age squared times age cubed to the ninety-fifth power				
Age squared times age cubed to the ninety-sixth power				
Age squared times age cubed to the ninety-seventh power				
Age squared times age cubed to the ninety-eighth power				
Age squared times age cubed to the ninety-ninth power				
Age squared times age cubed to the hundredth power				
Log Likelihood	-167.752		-184.638	

Source: WeD-Peru I&E data first round

* Significant at 10%

** Significant at 5%

***Significant at 1%

Table A.7.1: Components of the ‘good life’

Ranking	Nuevo Lugar (2005) untutored	Ethiopia (2003) untutored	South Africa (1998) untutored	South Africa (1998) tutored
Sample	27 households heads or spouses	79 participants. Two rich and two poor male and female dwellers of 20 Ethiopian rural communities	157 individuals a rural village and a semi-urban squatter camp	157 individuals a rural village and a semi-urban squatter camp